



U.S. Department of
Transportation

A Guide to Strategic Planning For Transit Properties

December 1988





A Guide to Strategic Planning for Transit Properties

Final Report
December 1988

Prepared by
Z. Andrew Farkas and Moges Ayele
Center for Transportation Studies
Morgan State University
Baltimore, MD 21239

Prepared for
University Research and Training Program
Urban Mass Transportation Administration
U.S. Department of Transportation
Washington, D.C. 20590

Distributed in Cooperation with
Technology Sharing Program
Research and Special Programs Administration
U.S. Department of Transportation
Washington, D.C. 20590

PREFACE

Several people deserve our sincere thanks and appreciation for their generous contributions to this guide. Kathy Steinhudson, Chairman of the Strategic Management Committee of the Transportation Research Board, provided much encouragement for our research and insight into the strategic planning efforts at several transportation agencies. Personnel at five transit properties enthusiastically provided documents and answered detailed questions regarding their strategic planning efforts. A list of these individuals is in Appendix D of this guide. The authors, however, take sole responsibility for the accuracy of the information contained in the guide.

Several students in the Center for Transportation Studies worked long hours on this guide and we thank them as well: Ephraim Okundaye, Chukwura Elue, Wolde Ararsa, Legesse Negash, Gabriel Eze, and Seifu Kerse.

The preparation of this guide has been financed through a grant from the University Research Program of the Urban Mass Transportation Administration. The contents of this guide reflect the views of the authors and not necessarily the views of the Urban Mass Transportation Administration.

TABLE OF CONTENTS

PREFACE.....	i
TABLE OF CONTENTS.....	ii
LIST OF EXHIBITS.....	iii
Chapter	
I. INTRODUCTION TO STRATEGIC PLANNING.....	1
What is Strategic Planning/Management?.....	1
Objectives of Guide.....	5
Guide Organization.....	5
II. METHODOLOGY/APPROACH.....	7
III. LITERATURE REVIEW.....	13
Why Should Transit Properties Plan Strategically?.....	13
The Strategic Planning Process.....	17
How Does Strategic Planning Work?.....	20
Formality.....	20
Organization and Linkages.....	21
Situation Audit or Environmental Analyses....	25
Mission Statement, Goals, and Objectives....	31
Strategy Development.....	33
Implementation and Monitoring.....	35
IV. CASE STUDIES OF STRATEGIC PLANNING.....	40
Selection of Cases.....	40
Strategic Planning at Alameda-Contra Costa Transit District.....	40
Strategic Planning at New Jersey Transit.....	53
Strategic Planning at Port Authority of Allegheny County Transit.....	68
Market Strategy Planning at Seattle METRO.....	83
Strategic Planning at Utah Transit Authority....	99
Conclusion.....	115
V. CONCLUSIONS AND RECOMMENDATIONS.....	118
Findings/Conclusions.....	118
Recommendations.....	134
APPENDICES.....	137
A.....	137
B.....	143
C.....	152
D.....	155

REFERENCES.....	157
BIBLIOGRAPHY.....	161

LIST OF EXHIBITS

Exhibit		Page
2.1	Fleet Size of Transit Property Cases.....	10
3.1	Strategy Grid.....	30
4.1	AC Transit Organization Chart.....	41
4.2	NJ Transit Organization Chart.....	55
4.3	NJ Transit Service Mix Matrix.....	62
4.4	North Jersey Coast Line Cell Placement: Aggressive Service Maintenance.....	64
4.5	PAT Organization Chart.....	69
4.6	PAT's Planning Process.....	71
4.7	FY 1988 Business Plan Program Summary.....	78
4.8	FY 1988 Business Plan Program.....	79
4.9	METRO Transit Organization Chart.....	85
4.10	Ridership Priority Area.....	94
4.11	Relationship of Evaluation Plan to Market Strategy Report.....	97
4.12	Utah Transit Organization Chart.....	100
4.13	Utah Transit Orientation Matrix.....	109
4.14	Summary Matrix of Cases' Strategic Planning.....	116
5.1	Framework for Strategic Planning Process.....	135

CHAPTER 1

INTRODUCTION TO STRATEGIC PLANNING

What is Strategic Planning/Management?

Much has been written in the planning and management literature concerning the formulation and management of organizational strategies. The terms strategic planning and strategic management are prominent in this literature, but because of the evolution and application of these concepts over time, there is a multitude of definitions and, consequently, some confusion. A brief review of these terms and their current, most-commonly accepted meanings may be helpful.

Long-range planning, the precursor to strategic planning, assumed relatively stable, perhaps closed environments and focussed on factors within the organization's control. Strategic planning on the other hand is externally driven and assumes changing environments. It can be described as the analysis of environmental change, the formulation of organizational objectives, and the establishment of priorities for resource allocation. David defines strategic management as the formulation, implementation, and evaluation of actions that will enable an organization to achieve its objectives.(1,p.4) Strategic management involves decision-making which is tactical and not operational in nature; it emphasizes allocation of resources and management of change to implement strategies.

While the strategic planning concept predates that of strategic management, most writers now emphasize the

interrelationship between them and play down the dichotomy created in the past. According to Steiner: "Strategic planning is inextricably interwoven into the entire fabric of management; it is not something separate and distinct from the process of management." (2,p.3) Strategic planning supports strategic management and is a function of all managers at all levels in an organization. Thus, strategic planning is a major process in the conduct of strategic management. (2,p.6) In summary strategic planning is a management tool used to analyze fundamental issues and changes and to aid managers in effecting organizational response to change.

The literature on strategic planning and management in the private sector has expanded for more than two decades and is quite voluminous. Strategic planning was developed in the private sector and has been implemented and refined by most major corporations. Has strategic planning in the private sector really worked? According to Marrus, academic research on the subject has identified many positive results from strategic planning. (3,p.8) David reviewed studies on strategic planning by small businesses and found that there were significant benefits for manufacturing and service-oriented firms. (1,p.21)

Since the late 1970s, there have been several attempts to use strategic planning in the nonprofit and public sectors. Organizations in these sectors are under increasing public pressure and scrutiny and are facing increasing competition. (4,p.24) Strategic planning with some modification

has been promoted by many public officials and consultants to be a worthwhile management tool for these organizations. Several authors have debated over the application of strategic planning concepts in the public sector. A recent review of this debate concluded that strategic planning is becoming widespread as a tool for improving public sector planning.(5,p.257) The study team for this guide comprehensively reviewed the literature on strategic planning and found broad support for public sector application, but strategic planning in the public sector is not without its difficulties.

Nutt and Backoff note two important distinctions between strategic planning in the private and in the public sectors: goals and operating environments.(6,pp.44-45) In the private sector goals are profit oriented and within the operating environment market factors are most important. In the public sector goals can be ambiguous, which may lead to continued ambiguity in response to change or to "goal mania," i.e., the setting of goals supercedes the development of strategies. The operating environment consists not only of clients but of political, economic, and legal considerations. Many parties may have a stake in an organization's strategies.

Meyer outlines four major differences between strategic planning in the private and public sectors:

1. Public agencies are subject to public scrutiny and political pressures that private sector organizations seldom experience.
2. In public agencies the decision-making process is not as

direct as that found in private sector organizations.

3. In the public sector agency objectives are often mandated by legislation and not subject to management prerogative.

4. Implementation of actions can be much more difficult in the public sector because of the allocation of resources through the political process.

Meyer concludes that these very same problems make strategic planning in the public sector necessary. (7, pp. 302-303)

A few transportation agencies and transit properties were among the first public sector organizations to apply strategic planning concepts. (7) (8) The Port Authority of New York and New Jersey, Utah Transit, and the Pennsylvania Department of Transportation have been among the strategic transportation planning pioneers in the United States. Because of strategic planning's relative novelty in the transit industry, little empirical information is yet available on its application and benefits. However, given the generally positive experience of other organizations, it is reasonable to expect that the transit industry can benefit from strategic planning. There is also clear evidence that strategic planning is increasingly becoming an important topic of discussion in the transit industry. The interest in strategic planning among transit managers, planners and policy makers is likely to grow as a result of recent publications on the topic. Perhaps, the most significant publications are Managing Public Transit Strategically by Fielding and Marketing Public Transit: A Strategic Approach by

Lovelock et al.(9)(10)

Objectives of Guide

The objectives of this guide are (a) to explain why it is appropriate for transit properties to plan and manage strategically, (b) to show how strategic planning works, (c) to present cases of strategic planning efforts in the transit industry, and (d) to make recommendations on a strategic planning process for transit properties. This guide is not a "cookbook" to strategic planning. Although there are commonly recognized elements or steps to strategic planning, each organization's process will be unique. This guide will refer to the term "strategic planning" throughout, but one should view strategic planning as an integral function of management. The guide therefore is a reference for transit managers who wish to manage strategically. It is a source of information on the evolution and application of strategic planning in various organizations. It also provides the reader with several additional references for more detailed information.

Guide Organization

The first chapter of the guide introduces the strategic planning/management concept as well as the guide's objectives and organization. The second chapter presents the methodology to the research that produced the guide. The methodology emphasizes literature review, case studies of strategic planning in the transit industry, and participation in workshops/conferences. The third chapter presents the discussion in the literature of

the need for transit properties to plan strategically and presents the literature review of the strategic planning process and how it works. The fourth chapter consists of the case studies of strategic planning in the transit industry. The last chapter contains the study team's conclusions and recommendations on a general strategic planning process that can be tailored to individual transit properties.

CHAPTER 2

METHODOLOGY/APPROACH

The research methodology consists of two major components: (1) review of the strategic planning/management literature and participation in strategic planning conferences and workshops, and (2) review of strategic transit plans and case studies of five transit properties' strategic planning efforts. The case studies involve in-depth evaluation of strategic plans and personal interviews of officials with responsibilities to conduct strategic planning.

The research team, consisting of principal investigator, co-principal investigator and research assistants, reviewed several bibliographies on strategic planning and obtained copies of recent books and articles pertaining to strategic planning/management in the private and public sectors. The team focussed on the principles, elements, and characteristics of successful strategic planning. The team obtained these publications from several libraries and organizations. The team also obtained copies of recent articles and reports on the conditions in the transit industry. In the review of the literature the team focussed on the financial, competitive, and marketing conditions and on the search for strategies.

After the review of the literature the research assistants abstracted some of the books and articles which contained particularly relevant and instructive information on strategic planning. The abstracts are incorporated into the guide as

reference material (see Appendix A).

The principal investigator and co-principal investigator attended the Transportation Research Board (TRB) "Workshop on Strategic Planning and the Management of Change" in Annapolis, MD and the co-principal investigator attended the American Society of Civil Engineers "Specialty Conference on Managing Transit as a Business" in Orlando, FL in June 1987. The principal investigator also maintained an active involvement in the TRB Committee on Strategic Management. The purpose of participation in the workshop, conference and committee was to interact with individuals in consulting practice, in transportation agencies, and in higher education and thereby gain insight into the problems, opportunities, and challenges facing organizations conducting strategic planning. Participation also helped the research team in defining the scope and the focus of the guide.

The selection of the cases involved an intensive effort to learn of specific efforts at strategy development in the transit industry. During June 1987, the principal investigator contacted colleagues in the Strategic Management Committee of the TRB, the Planning and Policy Analysis Director of the American Public Transit Association, individuals in the Urban Mass Transportation Administration, and individuals in various consulting firms. The principal investigator received numerous leads, and in July and August 1987 contacted the following transit properties: New Jersey Transit, Metropolitan Transportation Authority (New York City), Port Authority of Allegheny County Transit (Pittsburgh),

Dade County Transportation Administration (Miami), Central New York Regional Transportation Authority (Syracuse, NY), Alameda/Contra Costa County Transit (Oakland), Seattle METRO Transit, Miami Valley Regional Transit Authority (Dayton, OH), Utah Transit Authority (Salt Lake City), Washington Metropolitan Area Transit Authority (Washington, DC), Chicago Transit Authority, and San Francisco Municipal Railway.

At the request of the principal investigator all of the transit properties sent copies of plans and supporting papers which they considered to be strategy oriented. Particularly relevant planning documents, in addition to the books and articles uncovered during the literature review, comprise the bibliography.

The research team reviewed all of the planning materials and used the following criteria to select the five cases for in-depth study:

1. Adherence to elements of strategic planning. Candidate properties had to have planning processes that contained most of the commonly recognized elements of strategic planning.
2. Diversity in terms of property size. Candidate properties had to vary significantly in numbers of operating transit vehicles (see Exhibit 2.1).
3. Diversity in terms of geographic distribution. Candidate properties had to reflect the nation's regional diversity.
4. Experience with strategic planning processes. Candidate properties had to be at least in the strategy implementation

Exhibit 2.1

FLEET SIZE OF TRANSIT PROPERTY CASES

<u>Name</u>	<u>Number of Buses</u>	<u>Number of Rail Cars: Heavy Rail (Light Rail)</u>
AC Transit	872	-
NJ Transit	2624	840 (26)
Port Authority Transit	932	10 (55)
Seattle METRO Transit	1226 (184 vans)	-
Utah Transit	391	

Source: 1988 American Public Transit Association Directory

phase of strategic planning.

The research team sought cases which would be diverse examples of strategic planning experience. In addition the team sought cases that clearly followed a strategic planning process and which were far enough along to realize the pitfalls and benefits of such planning. Based on the above criteria, the research team selected the following cases: Port Authority of Allegheny County Transit, Alameda/Contra Costa County Transit, New Jersey Transit, Seattle METRO Transit, and Utah Transit. Short narratives were written about the status of strategic planning at three properties that were in the initial stages of strategic planning. Narratives on the New York Metropolitan Transportation Authority, Washington Metropolitan Area Transit Authority, and Chicago Transit Authority are in Appendix B.

The research team utilized two data gathering tools for the case studies: a strategic plan evaluation form and an interview questionnaire. The evaluation form was used to extract information on the methodologies, techniques, and results from strategic plans and other related documents provided by the transit properties (see Appendix C). It contained questions related to organization of the planning process; management involvement; public/private linkages; environmental analyses and trends; development of mission, goals, and objectives; development and implementation of strategies; and benefits and weaknesses of the process.

The interview questionnaire was used for formal interviewing

of personnel with strategic planning responsibilities. The objective of the interviews was to elicit further information about the various strategic planning processes. Questions related to organization of process; management objectives and compensation; management involvement; levels of communication; adequacy of resources; conduct of analyses; influence of market and politics on development of mission, goals, and objectives; strategy development and evaluation; implementation plans; organizational change; monitoring process; and perceptions of benefit (see Appendix D). The individuals that were interviewed for the case studies are identified in Appendix D.

The research team synthesized the information from the literature and the case studies and formed conclusions about the efficacy of the various strategic planning approaches in positioning transit properties for environmental change. The research team recommended a general framework for strategic planning at any transit property.

CHAPTER 3

LITERATURE REVIEW

Why Should Transit Properties Plan Strategically?

In the early 1980s the amount of suburban office space in the U.S. surpassed the amount of office space in urban central business districts.(1,p.32) This rapid growth in suburban office space is expected to attract more businesses and residential growth to the nation's suburban road arteries, leading to more decentralized and low density development at the fringes of the major urban areas.

Suburban development is difficult and expensive to serve by conventional mass transit. Long headways, circuitous routings to collect riders, dispersed destinations, and imbalances in the flows of commuters result in inefficient utilization of transit vehicles. Yet, suburban mass transit services have been expanding during a time of significant service reductions in traditional urban markets and at a time when revenues on public mass transit systems cover only about 40 per cent of operating costs on average and virtually none of the capital costs.(2,p.1)

According to a study on public works by the Urban Institute, urban mass transit and rural public transportation cost a total of \$16 billion in 1984; revenues covered approximately \$4.5 billion and government assistance covered the remaining \$11.5 billion.(3,p.i) The study found considerable evidence that government regulation of and assistance to mass transit have led to major inefficiencies and unnecessarily high subsidies. A

recent report to Congress by the U.S. Department of Transportation (USDOT) supported these findings and stated that in spite of increasing Federal investment in mass transit over the past twenty years, operating costs have burgeoned at more than double the rate of inflation, innovations in service delivery have been minimal, and productivity has declined.(4,p.3) The report recommended that government restructure assistance to enhance local decision-making, increase productivity and efficiency through competition, maximize the benefits of capital investments, and finance capital investments through public/private partnerships.

After more than two decades of federal capital grants and more than one decade of operating assistance to mass transit systems, there is a perceptible shift away from federal control of funding and investment decisions to increased local control. At the same time the traditional government funding sources for public transit systems have become severely constrained. The current Administration has made concerted efforts to reduce federal assistance during a period of increasing capital and operating costs. State and local governments and the private sector have begun to establish partnerships to finance the increasing transit deficits, to provide more efficient public transportation, and to manage more actively the demand for and supply of public transportation services.

Public mass transit systems are facing competitive challenges not only from the private automobile but from recently

deregulated private sector public transportation. According to another study by the Urban Institute, in many metropolitan areas serious private sector competition with public mass transit systems has begun.(5) In some of these areas the private sector has made substantial inroads into the markets of the public systems and often at a profit. More competition among intercity bus systems is increasing the supply of commuter transportation services. Some jurisdictions have recently allowed entry of new jitney or shared-ride taxi services. Thus, even for public mass transit systems the environment has become decidedly more competitive. Some systems are attempting to position themselves strategically to meet this competitive challenge.

The financial and competitive conditions facing public mass transit systems are closely related to the industry's marketing experience. Hollingsworth stated:

While automobile manufacturers have worked hard on enriching the experience of personal transportation, mass transit often underrated its importance, concentrating on basic transportation. Today, the patrons of personal transportation are rewarded by comfort, convenience and a sense of well-being...The patrons of mass transportation are rewarded largely by inconsistencies, inflexibility and sardine-like impersonal packaging; they are perceived as people who are not going anywhere, forced into using transit by the circumstances of their environment.(6,p.13)

According to a USDOT study of eighteen large public bus systems, the systems spent an average of 2.4 per cent of their operating budgets on marketing programs.(7,p.13) Of that amount only 5 per cent was spent on market research, while 50 per cent was spent on customer service, 29 percent was spent on promotion

and advertising and 14 per cent was spent on planning. The study concluded, "marketing research is in fact central to managing transit services with a consumer orientation because it supplies the information on which to base strategy." (7,p.14)

A recent university research study, sponsored by the Urban Mass Transportation Administration (UMTA), recommended to the transit industry the development of strategic planning processes to increase efficiency.(8) This and other such recommendations and the obvious challenges facing the industry have prompted the American Public Transit Association (APTA) to appoint a Transit 2000 Task Force to chart the future of public transit. The task force consists of working groups that are responsible for conducting many of the tasks associated with strategic planning/management. Task force recommendations may provide the basis for new programmatic initiatives by APTA.

In spite of the apparent desire of the transit industry for new strategies, another university research study, sponsored by UMTA, has shown that among 104 transit agencies there was considerable confusion between long-range service planning required by UMTA and strategic planning.(9) Among some of the largest transit agencies there is interest in strategic planning and there are staff resources to produce plans. Among small transit agencies the unavailability of staff to conduct strategic planning was identified as a serious problem. The study concluded that analyses in the transit industry are "insufficiently strategy oriented, relatively short term in

nature, and apparently not integrated."(9,p.95) The study also concluded that a highly formal strategic planning process that places too much emphasis on a formal plan and not enough on an implementable strategy is incompatible with most transit agencies.

In short, changing environments are encouraging transit properties to begin recognizing the need for strategic thinking and planning. The changes in the environment include, among other things:

- (a) rapid suburbanization and decentralized patterns of development;
- (b) increased competition among service providers;
- (c) decreased federal subsidies for transit;
- (d) increased role of state and local government in financing of transit services;
- (e) growing interest in public/private partnerships in the delivery of transportation services.

The Strategic Planning Process

Strategic planning has been defined not only as a function of management but as a continuous planning process. According to Sorkin et al.: "Strategic planning is a systematic way to manage change and create the best possible future. It is a creative process for identifying and accomplishing the most important actions in view of strengths and weaknesses, threats, and opportunities."(10,p.1) Rothschild views strategic planning as a process that begins by asking what the nature of one's

business is and what one wants it to become.(11) Steiner believes that strategic planning should be defined from four points of view.(12,pp.13-15) First, it looks at the causes and effects over time of an actual or intended decision which a manager is going to make, i.e., the futurity of current decisions. Second, it is a process that defines the goals and objectives of an organization, and the development of strategies to implement the decisions. Third, it is an attitude and a way of life. It is a thought process and an intellectual exercise. Finally, it is a set of inter-related plans: strategic plans, medium-range programs, short-range budgets and operating plans.

Strategic planning does not necessarily involve a rigid procedure. While the processes vary among organizations, there are elements or steps which are common to most strategic planning efforts.

Ferris recognizes the following steps:

1. scan the overall environment to identify major trends, issues, problems, and opportunities that affect the organization;
2. establish goals and mission statements for the organization;
3. analyze the external environmental factors that affect the organization;
4. analyze the organization internally to identify strengths and weaknesses;
5. formulate strategies which contain specific actions that will lead to the accomplishment of the objectives;
6. implement the plan and monitor the results.(13,pp.17-18)

Ferris distinguishes between the scan of the environment and the analysis of the external environment. The former involves a view of fundamental forces affecting the organization and the latter involves detailed analyses of identified issues, factors, and goals. Various authors refer to the evaluation of the internal and the external environments as the situation audit.

So identifies the steps that appear to be most common to strategic plans as follows:

1. measure current progress and effectiveness;
2. analyze the external economic, political, and social environment;
3. examine various elements of the organization;
4. analyze implications of first three steps (situation audit);
5. develop strategic objectives and mission statement;
6. implement programs, budgets, and plans;
7. monitor progress toward the objectives.

So further states that a strategic plan should focus on a few clearly stated critical issues and objectives. It should define conditions which can be affected and those which can not and it should emphasize intuition and decision making, not just forecasting and scenario development.(14)

Meyer summarizes the essential elements of the strategic planning process as follows:

1. assessment of the opportunities and constraints in the organization's environment;
2. clear articulation of goals and objectives;

3. examination of alternative courses of action;
4. establishment of framework and authority to implement the strategic plan. (15,p.301)

How Does Strategic Planning Work?

Various authors have focussed on certain elements or steps as the keys to successful strategic planning. This section will concentrate on the following elements of the process: formality; organization and linkages; situation audit; mission statement, goals, and objectives; strategy development; and implementation.

Formality

A formal strategic planning process emphasizes methodological steps, rigorous analyses, and documentation in developing a strategic plan. According to Olsen and Eadie: "Perhaps the major fault found with the formal strategic planning process as it is often described is its abstraction, its loss of touch with the realities of human organizational dynamics." (16,p.67) Formal strategic planning has often become merely a planning staff ritual with the result languishing on a manager's bookshelf. Another specific criticism of formal strategic planning as often applied in the past is that the process overemphasizes the quantitative factors. The qualitative, organizational, and behavioral or consensus building factors often determine success. (16,p.68) Ansoff believes that the rate of environmental change is increasing so rapidly that a more flexible version of strategic planning is needed to

recognize the "faint signals" that the environment emits.(17) Fox believes that a formal process must be balanced by human factors and should be conducted with considerations for timeliness, creativity and political realism.(18) According to Ferris, the process should focus on key issues, establish a dialogue and develop strategies rather than adhere to a specific methodology.(13,p.17)

It is logical to assume that the scope of the effort should be directly related to the size and complexity of the organization. The large organization is likely to conduct an extensive and formal strategic planning process, consisting of planning staff, consultants, and all management levels, while the small organization probably will conduct an informal process, consisting of brief research and strategy development by a small management team.

Organization and Linkages

The appropriate size of and approach to the planning effort and the levels of management and policy maker involvement are perhaps the initial major organizational questions. It should be understood that strategic planning is not a panacea for organizational and managerial problems, as many management tools have been promoted in the past.

According to Steiner there are four approaches to planning.(12,pp.63-64) The first is the top down approach; in a centralized company, planning is done at the top of the organization and the departments implement the plans. In a

decentralized organization the chief executive officer (CEO) gives direction to the various divisions which conduct the planning. The advantage of this approach is that top management determines where the organization will go. The second approach is the bottom up; top management gives no direction and the divisions conduct the planning. Top management reviews the plans and either accepts or rejects them. The third approach is a combination of the first two. Top management at the headquarters and in the divisions give direction to the planning process. Staffs at both levels are engaged in the planning process. This approach is often used by large, decentralized organizations. The fourth approach is team planning in which the CEO uses line managers as staff to develop plans. This approach is often used in small, centralized organizations. In the public sector each of these main approaches is further complicated by less power and less formal lines of management authority. Various interest groups have a stake in the conduct of the planning effort and all decisions are made in a complicated political environment.

According to Lorange, it is imperative for organizations to develop a strategic planning style which is sufficiently flexible to adapt to new opportunities.(19) Two planning system design issues are relevant. First, it is important to involve as many people in the organization as practicable on task forces; such teams often carry out strategic programs. Team members may have their ongoing operational responsibilities as well, but such dual responsibilities must be built into the organization's system of

managerial incentives. Second, strategies should be owned by the teams of executives from various functions. The cross functional nature of the organization's strategies should be emphasized.

Task forces or planning teams are an important part of the planning process. The teams should consist of management, staff persons and other stake holders as needed. The chairpersons of such teams should be persons responsible for the areas under consideration and should have expertise in them.(20,p.19)

Sorkin et al state that strategic planning in the public sector should involve both the public and private sectors in the process.(10,p.25) Local governments must look beyond their own resources to assure the best possible future. Strategic planning is an excellent vehicle for public/private partnerships and for concerted action on community problems and issues.

In order for the strategic planning process to be a practically applied management tool, the scope of the effort must be explicit and communicated throughout the organization. The focus of the effort should be rather narrow, so that only a few critical issues are addressed. The geographic area of analysis may need to be greater than a particular service area because of the dynamic and wide-ranging impact of development. Various threats to the organization, as well as the resources of the organization, may be located outside the present service area. A fairly detailed work plan and budget needs to be developed in order to tailor the effort to the scope and resources of the organization. The work plan must outline who will do what and

what personnel are available. The plan should recognize the existing responsibilities of management and staff. Strategic planning should not be placed as an extra burden on fully utilized personnel. The resources should be available to conduct the process on an ongoing basis. Personnel objectives, reviews, and compensation must be directly related to the conduct of the process. (10, pp. 27-28)

The organization phase to strategic planning in the public sector may be rather lengthy, perhaps taking several months, because of the need to sell the process among many actors and to establish the objectives of the process in everyone's minds.

Lorange states that there are several pitfalls to avoid in designing and operating a formal strategic planning system. (19, p. 39) They have been summarized as follows:

1. Failure to develop throughout the organization an understanding of what strategic planning really is.
2. Failure to encourage managers to do effective strategic planning by basing performance appraisal and compensation on short range performance measures.
3. Failure to design the strategic planning system to the unique characteristics of the organization and failure to modify the system when conditions change.
4. Failure of top management to spend sufficient time on strategic planning processes.
5. Failure to keep the planning system simple.
6. Failure to link the major elements of strategic planning

and the implementation process.

Conversely, Lorange states that there are nine requirements for effective implementation of strategic planning:

1. Benefits from adopting strategic planning must be clear to the various users.
2. The concept of strategic planning must be communicated in such a way that the relevant managers can understand it.
3. The overall planning task must be broken down into smaller elements.
4. An evolution of experience and understanding must occur for successful implementation.
5. A sponsor should be readily identified to promote each strategy's implementation.
6. The need for strategic planning should be clearly felt by the policy makers.
7. Management must make an early commitment to strategic planning.
8. Strategic planning must demonstrate some results quickly.
9. There must be a realistic assessment of resource needs. (19, pp.8-10)

Situation Audit or Environmental Analyses

According to Steiner, the situation audit is an analysis of past, present, and future, and provides the base for pursuing the strategic planning process. (12, p.122) The objective of the situation audit is to identify and analyze the major trends, forces, and phenomena which may impact the development of

strategies. Each organization must identify what is of consequence in the environment. Decisions must then be made as to the depth and detail of the analyses. The situation audit emphasizes the systematic assessment of environmental impacts. It is a vehicle for discussing and debating environmental changes, for achieving consensus on the changes, and for creative thinking. According to Lorange, managers generally perceive that the environment is becoming increasingly more " turbulent, complex, and interdependent." (19,p.209) Olsen and Eadie believe that understanding an organization's current and future external environment is the most challenging step in strategic planning. (16,p.21)

The situation audit may first consist of the environmental scan, which identifies a handful of critical issues through a broad view of the organization's environment both external and internal. The environmental scan analyzes the past, the present, and attempts to look at the future. Many organizations omit the environmental scan entirely when the critical issues are apparent. (10,p.34)

The analysis of the external and internal environment is a more detailed and focussed look than the environmental scan. The analysis requires an examination of an organization's strengths, weaknesses, opportunities, and threats (SWOT). Strengths and weaknesses are internal factors, while opportunities and threats are generally external.

According to Bates and Eldredge, an organization operates in three environments: internal construction, operating environment, and general environment.(21,p.25) The internal construction consists of the organization's human and financial resources and products. The operating environment consists of the industry in which the organization operates. The general environment consists of pervasive factors, such as economic and demographic trends. A planning horizon is associated with each of these environments. The current term is of concern when assessing the internal strengths and weaknesses of the organization. A medium-term horizon of one to five years is used for analyzing the operational environment and for developing and implementing strategies. A long-term horizon of fifteen to twenty years is used for analysis of the general external environment and for development of missions and goals.(21,pp.28-29)

The internal analysis factors are controllable. The analysis or audit must be objective in listing the strengths and weaknesses of the organization. The critical analysis issues are financial viability, quantity and quality of programs, managerial and organizational effectiveness, condition of physical facilities, productivity of human resources, technological capability, and marketing effectiveness.(22,p.27) Uytterhoeven et al. have identified three dimensions comprising the internal analysis: the operational, the financial, and the managerial.(23) The operational dimension consists of functions and processes in producing services and products. The financial dimension

consists of financial condition and dynamics of financing. The managerial dimension involves human resources and management systems. David suggests another dimension, marketing, which consists of defining and fulfilling customers' wants and needs. (24,p.160) Bates and Eldredge state that strengths and weaknesses should be measured in terms of attributes, effectiveness, and efficiency. (21,pp.108-109)

External forces are not controllable by the organization. The significant external environmental forces are economic, demographic, social, political, technological, and legal. The external environment also consists of competitors, clients, special interest groups, and funding sources. The analysis of the external environment must have a "futures orientation," which requires the development of forecasts. (10,p.39) Many firms that have implemented strategic planning use both quantitative and qualitative techniques of forecasting. The complexity and unpredictability of an organization's environment determine the formality and sophistication of the forecasting. (16,p.34) Local and state planning agencies, banks and development organizations, universities, and consulting firms offer forecasts of the future. The Delphi Technique may be used to derive forecasts systematically from a panel of experts. Through an iterative process the panel members, who are typically anonymous, receive feedback about their forecasts in relation to the group and generally achieve a consensus. Olsen and Eadie conclude that the function of forecasting the future is more a matter of human

judgement and intuition than of scientific precision.(16,p.21)

Task forces are often used to conduct the situation audit within an organization. The members may consist of organization staff, consultants, volunteers, and members of interest groups.

For many organizations a global approach to situation audits may not provide sufficient detail to revise missions or to develop effective strategies. A program specific or portfolio approach utilizes the technique of positioning each program on a matrix. A variety of matrices or arrays have been developed and used in analyzing portfolios. A survey of these techniques is provided by David.(24)

McConkey's strategy grid is an example of an array for portfolio analysis. A program's position is determined by the criteria underlying the "strengths/demand for services provided" axis and the "your organization's impact and strengths" axis.(22,p.27-30)(see Exhibit 3.1) Some criteria for defining strengths/demand for services provided may include: growth rate, number of organizations providing same service, technological impacts, social impacts, environmental impacts, legal impacts, and demographics. Criteria for defining an organization's impact and strengths may include: share of total demand, technological position, skill or weaknesses, public reputation, environmental impact, management, funding sources and strengths. A program positioned in quadrant A is labeled a "star" because the outside environment is favorable and the program is making a major impact. A program in quadrant B is a "fat cat" because the

EXHIBIT 3.1

Strategy Grid

high  Strength/Demand for Services Provided (all sources)

A	B
C	D

 Your Organization Strengths and Impacts

low

Source: McConkey, "Strategic Planning," Business Quarterly, Summer 1981, p. 30.

program is making a major impact but the overall environment is stagnant. A program in quadrant C is a "question mark" because the program is not making much of an impact but the overall environment is strong and growing. A program in quadrant D is a "dog" because the program is not making any impact and the overall environment is static or declining. Programs which are not meeting objectives on a cost effective basis should be discontinued or modified to release resources for programs which are cost effective.

Wheelwright believes that most strategic management/planning efforts fall on a continuum between a portfolio approach and a value-based incremental approach.(25) A value-based incremental approach assumes that the values and beliefs of management and staff in an organization are more important to setting long-term direction than the actions of competitors and the structure of markets. Wheelwright states that one problem with today's strategic management/planning systems is that they are:

...considered an objective, analytical, data-based area where evermore systematic analyses...will reveal the most appropriate strategy. What is missing is full recognition of the subjective nature of these techniques and the role of organizational values and commitment as a basis for strategy.(25,p.22)

Mission Statement, Goals, and Objectives

The comparison of internal strengths and weaknesses with external opportunities and threats provides the basis for the appropriate mission. Once the mission is developed, specific goals and objectives must be formulated which enlarge and clarify

the mission.

McConkey states that any organization's development of a mission requires the proper answering of three major questions: "What is our present purpose? How will the future impact on our present purpose if we make no changes? What should our purpose become?" (22,p.26) These questions relate to a marketing perspective. Effective mission statements always proceed from the needs of clients and from conditions in the environment to management's response to the clients' needs. According to Steiner, missions should be stated in product and market terms. (12,p.155) However, missions must also account for the organization's values and legal mandates. According to David: "A mission statement is a declaration of an organization's reason for being...and reveals the long term vision of an organization." (24,p.84)

According to Jain, early efforts at strategic planning in the private sector focussed on financial goals and objectives and relegated marketing to a secondary position. Financial objectives drove marketing results rather than the reverse. (26,p.420) Jain points out the fallacy of this focus: "As shifts in the environment take place...a lack of marketing perspective makes the best planned strategies treacherous." (26,p.413) Marketing is now assuming greater prominence in private sector as well as in public sector strategic planning.

There is no one technique for developing missions, goals, and objectives. Their development is often assigned to task

forces but management and policy makers must be involved. Mission statements are most often expressed in broad, general terms, while goals are more specific and objectives are stated in terms of measurable results.

Strategy Development

Strategies are the actions that define how the objectives are to be achieved. The marketing orientation continues throughout strategy development and may involve the use of the marketing approach called segmenting or positioning. Segmenting means differentiation, that is, how an organization makes itself different in order to gain an advantage. An organization may segment its market in terms of users, geography, demography, delivery systems, programs, and services. By segmenting its market an organization can formulate strategies which establish advantageous niches.(22,p.32) Thus, strategies are best developed by key individuals who are familiar with the external environment.

In the initial stages of strategy development usually an informal or qualitative approach is used. Brainstorming is often used as a means for generating new ideas. Scenario development provides a sequence of events which should lead to accomplishment of the objectives. Policy delphi approaches (Delphi was discussed in the environmental analysis section) can be used to arrive at a consensus on alternative scenarios. A survey of these techniques is provided by Olsen and Eadie and Nutt and Backoff.(16) (27) Portfolio techniques, such as the one discussed

in the situation audit section, are often used to tie strategy assessment to resource allocation. Resources are allocated with a strategic perspective on the individual programs or businesses within an organization.

In determining whether a strategy is appropriate or not, an organization should answer several questions dealing with content and implementation:

1. Is the strategy consistent with the mission and the other strategies of the organization?
2. Does the organization possess the necessary resources to implement the strategy?
3. Is the internal political climate favorable for implementation?
4. Are key staff committed to the strategy?
5. Is the timing correct?(16,pp.46-47)

Specifically, strategies should be evaluated in terms of cost, personnel requirements, agencies and organizations involved, time frame, impact on the environment, and legal implications.(10,p.47) It is important to review the chosen strategies to ensure that they are acceptable and do not conflict. A stakeholder analysis may be necessary to identify parties "...who can affect or are affected by the strategy to be introduced."(27,p.49) Parties with a direct interest in the strategy may respond to the strategy in ways that may affect the implementation. Resources may have to be allocated and tactics may have to be developed to address the concerns of stakeholders.

Once strategies have been selected it is important to have supporters and "strategy champions" in order to successfully implement them.(10,p.48) "A key characteristic of a strategy is that it can be assigned to someone to carry out."(10,p.46) Contingency planning may be useful in dealing with those parts of the environment that are difficult to forecast. Thus, if the environment shifts unexpectedly, then alternative strategies would come into play.

Implementation and Monitoring

Implementation is another of the crucial steps to successful strategic planning. While strategy formulation is an intellectual exercise by relatively few individuals, implementation is operational in nature and involves skills in coordinating, managing, and motivating many individuals.(24, p.245)

Successful implementation of strategic plans in the private sector has been accomplished with linkages to the budget cycle.(10,p.51) Strategic planning is a resource allocation tool and the implementation of the resource allocations can be accomplished through the budget planning process. Steiner and Miner also emphasize the importance of this linkage to the annual budget as "...the most universally used and central basis for translating strategic decisions into current actions."(28,pp.627-639) Galbraith and Nathanson point out that in addition to resource allocation processes, the evaluation and reward systems, human resources, and career development are also involved in

effective implementation. (29, pp. 139-140)

According to Lamb, human resource factors are perhaps the most crucial to implementing strategies. Too many organizations have failed to carry out strategies because the wrong people were in charge, priorities were confused, and the chief executive did not lend weight to the strategic plan nor did he institute the proper rewards for management and staff. (30, p. xii)

Through surveys and interviews of private sector executive officers and government agency heads, Alexander derived five most frequently mentioned factors to successful implementation of strategies:

1. Top managers must clearly communicate with all employees what the strategic decisions are all about. Two-way communication is needed to monitor the implementation process.
2. Strategies must involve a good idea or concept. If a strategy is poorly conceived, it will fail.
3. Affected employees and managers must be involved from the start in the strategy formulation process.
4. The organization must provide sufficient resources, including money, manpower, technical expertise, and time.
5. A detailed implementation plan must be developed which identifies specific tasks, responsibilities, and likely implementation problems. (31)

An implementation plan would specify the financial and nonfinancial resources to carry out the actions. Again, it is not necessary to develop a formal planning document but it is

necessary to document the actions that must take place. Because of the need for cooperation among various individuals and interest groups in public sector strategic planning, an implementation plan is required to define the responsibilities for implementation.(10,p.49) It would specify the actions, the sequence of actions, and the timing of actions that would be assigned to individuals. Such strategic actions would be factored into managements' objectives. Thus, program planning and budgeting techniques, performance management systems, scheduling techniques, and communication networks are used for strategy implementation.

The implementation plan would also specify any organizational changes that would be needed to implement the strategies.(16,p.60-63) According to a video on strategic planning by the Transportation Research Board, organizational change must be managed, it involves developing a clear picture of the desired state and moving an organization through the transition.(32) The major organizational change issues are: resistance to change, shifts in organizational and individual power, and perception of need for change. Actions to motivate change are: identify dissatisfaction with current state, build in broad participation in process, reward the desired behavior, provide time and opportunity to disengage from present state.

At the summer 1987 Transportation Research Board "Workshop on Implementing and Managing Strategic Change," it was stated that successful implementation of organizational change can occur

when:

1. there are shared perceptions of the need for change;
2. all levels of management are involved;
3. communications are continuous;
4. there is participation in the change;
5. there is delegation of tasks and follow-up; and
6. quick successes are built-in.

The final task for strategy implementation is the monitoring of progress and the comparison of accomplishments with strategic objectives. An additional responsibility of the monitor is to periodically rescan the environment so that the planning process can react to any unforeseen circumstances. (10,p.52) The person or organization responsible for monitoring should keep track of the resources and time expended as well as keep track of changes in the key personnel and their responsibilities. The monitor must also determine if the resources have been adequate for implementation and must convey his or her findings to management.

The monitoring step should lead to the answering of questions such as:

1. Has the environment changed and how might the change affect the organization?
2. Does the organization have unforeseen strengths and weaknesses? What are their implications?
3. Were the objectives appropriate and should they be modified?
4. Did the management action implement policy and attain objectives?

5. Were the means of service delivery cost effective?(33,pp.9-10)

Fielding notes that the monitoring and measurement of performance comprise the difference between strategic management and merely supervising operations.(34,p.59) A few indicators that track performance over time can be useful for evaluating results of strategy implementation. Many transit properties assess performance in terms of ridership, but a more balanced assessment using three performance concepts, cost efficiency, cost effectiveness, and service effectiveness, is needed. Service input, output, and consumption data are used to measure these concepts. Indicators that relate service inputs and service outputs are measures of cost efficiency, while those that relate service inputs to service consumption are measures of cost effectiveness. Indicators of service effectiveness relate consumption to output.

If measurement of agency performance indicates the need for corrective action, then management can implement new programs or modify programs to improve performance. Renewing the strategic planning process is clearly appropriate when environments change, since entirely new strategies may be required.

CHAPTER 4

CASE STUDIES OF STRATEGIC PLANNING

Selection of Cases

This chapter contains the narratives of five case studies of strategic planning in the transit industry. The purpose of the case studies was to gain insight into the experiences of selected transit properties--to learn from their successes and setbacks. The research team used the following criteria to select the five cases:

1. Adherence to elements or steps of strategic planning.
2. Diversity in terms of property size.
3. Diversity in terms of geographic distribution.
4. Experience with strategic planning process.

The research team sought cases which would be diverse examples of strategic planning experience. In addition the team sought cases that clearly followed a strategic planning process and which were far enough along to realize the pitfalls and benefits of such planning. Based on the above criteria, the research team selected the following cases: Alameda/Contra Costa County Transit, New Jersey Transit, Port Authority of Allegheny County Transit, Seattle METRO Transit, and Utah Transit.

Strategic Planning at Alameda-Contra Costa Transit District

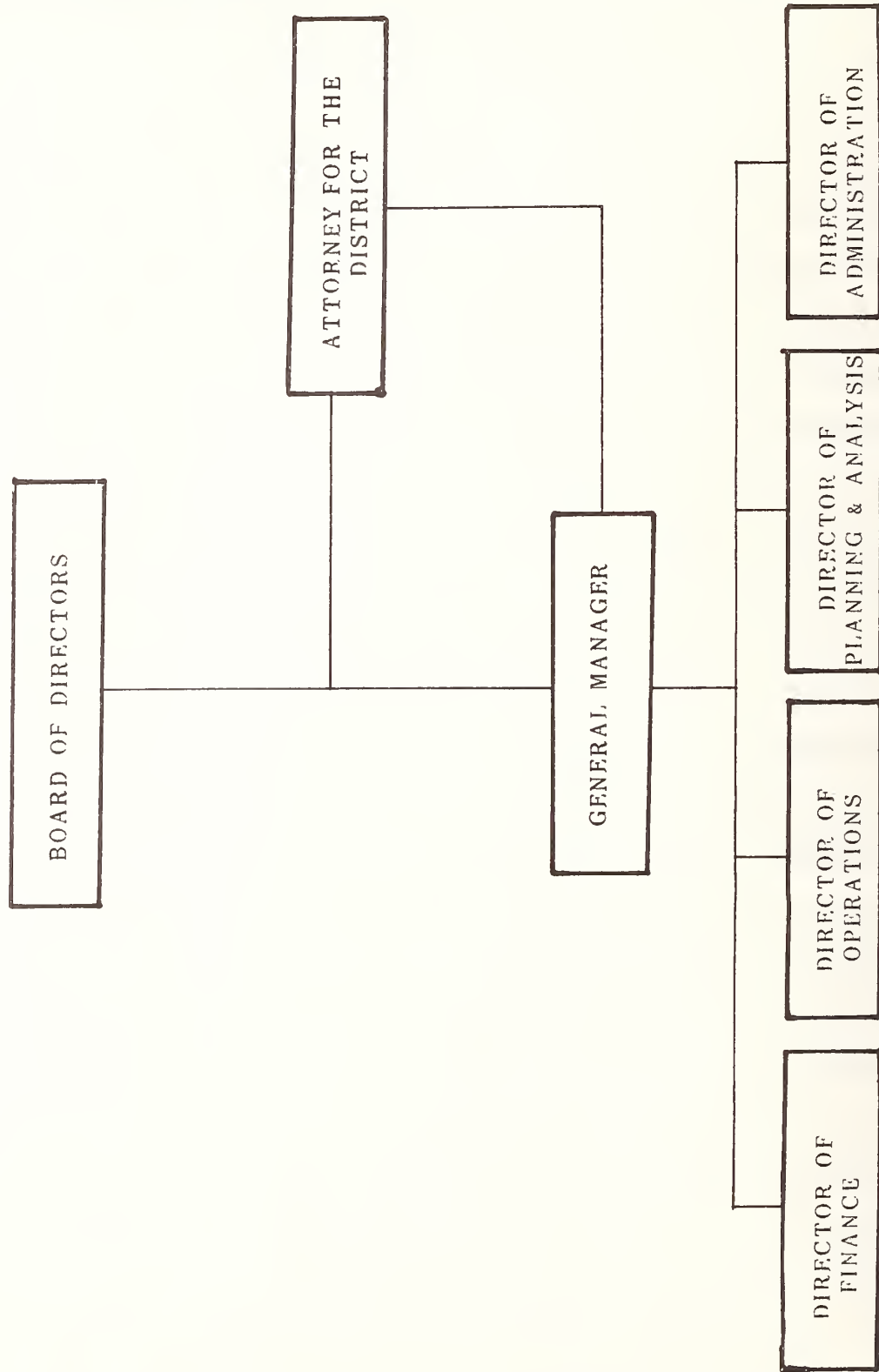
The Alameda-Contra Costa Transit District (AC Transit) operates bus services in western Alameda and Contra Costa Counties, California, and provides transbay services to San Francisco and Palo Alto. Under contract to the Bay Area Rapid

Transit District (BART) and another transit authority, services are provided from BART stations to communities outside the AC Transit District, such as Concord, Pittsburg, Brentwood, San Ramon, and Livermore. AC Transit bus service consists of 106 local feeder, six express, and 17 transbay lines, utilizing 872 buses. At one time AC Transit provided dial-a-ride service but because of low patronage and high cost, it was discontinued. AC Transit employs approximately 2000 people.

AC Transit is governed by a seven-member elected Board of Directors, who serve four year terms. The General Manager reports directly to and serves at the pleasure of the Board. Under the General Manager there are four divisions headed by directors: Finance, Operations, Planning and Analysis, and Administration (Exhibit 4.1).

AC Transit was created in 1956 by state law and county referenda. Service area expansions occurred in 1960 and 1969. In the 1970s, faced with direct competition from BART on its lucrative transbay operations, AC Transit redirected much of its service to feed into the new BART rail system, which serves the East Bay area and San Francisco. In 1978 AC Transit's ability to offset increasing costs through property tax revenues was severely restricted by Proposition 13 (Jarvis-Gann tax limitation). As a consequence, property tax revenues have been significantly less than pre-Proposition 13 levels. Since 1980, five new transit districts have been created in outlying areas of Alameda and Contra Costa Counties, areas which had been partially

AC TRANSIT



served by AC Transit on a contract basis.

All of the East Bay transit properties, including AC Transit, along with BART and Muni in San Francisco are coordinated by an "umbrella" organization, the Metropolitan Transportation Commission (MTC). The MTC is the conduit for state and federal transit funds, develops regional transportation strategies, and coordinates transit services among the several transit districts. The transit properties must compete with each other for funds allocated by MTC.

A performance audit of AC Transit in 1984 by Price Waterhouse Consultants for the MTC cited a need for strategic planning given the anticipated rapid growth in transportation demand in the Bay Area and continued local and federal funding constraints. AC Transit had in the past undertaken long range planning that addressed specific objectives, primarily operations related. It lacked experience in strategic planning that effectively linked the numerous components of the agency to its changing external environment.

In 1984 the General Manager made an organizational commitment to strategic planning. A Strategic/long-range Planning Section of the Research and Planning Department was established in fiscal year 1984-85 to develop a strategic planning process and to prepare the 2000 Transit Plan. Phase I of the 2000 Transit Plan would consist of an assessment of major travel corridors and a Strategic Development Report. The manager of the Strategic/long-range Planning Section studied examples of

strategic planning at Santa Clara County and Seattle Metro.

The Strategic/long-range Planning Section and the consulting firm of Cambridge Systematics conducted an extensive review of data and literature on environmental trends and transportation conditions. A 44-member Technical Advisory Committee (TAC) was formed in 1985 to review the progress of the project and to provide insights into the needs and priorities for planning within the study area. The TAC included representatives from various government agencies in the East Bay Area. No other public or private groups were involved in the strategic planning process. Although AC Transit has established a relationship with private sector providers, none was included in strategic planning.

The AC Transit Board and executive management reviewed the progress of the 2000 Transit Plan at key junctures. In 1986 the Board of Directors held a special session to consider issues raised in a preliminary report. Based on input from the Board, modifications were incorporated into the Strategic Development Report. The Strategic/long-range Planning Section and the consulting firm issued the Corridor Assessment Project Report in June 1986 and the Strategic Development Report in November 1986.

Unfortunately, a financial crisis and four general managers in three years have resulted in shifting priorities and uneven support of strategic planning at AC Transit. Apparently, the Board and management have had difficulty in reaching a consensus on AC Transit's purpose and direction. During the management

upheaval, most of the original staff of the Strategic/long-range Planning Section either left AC Transit or were reassigned. Only the Strategic Planning and Analysis (SPA) Consultant, i.e., a contract employee, remained and he has become responsible for strategic planning; he also has responsibilities for budgeting.

Communication of the strategic planning process occurred during the TAC meetings and during subsequent workshops in early 1987. At the workshops key executive-level managers commented on the Strategic Development Report and made recommendations that provided the impetus for budgeting and financial planning and improved personnel standards. Not all executive-level managers chose to participate in the workshops and the General Manager did not require them to participate. In retrospect, according to the SPA Consultant, a committee of managers at all levels would probably have brought creative people into the process and would have improved communications throughout the agency.

The SPA Consultant also believed that the budget and personnel resources were not adequate for the chosen strategic planning effort. The time frame may have been sufficient for the first phase, but for subsequent efforts the resources have not been adequate. The preparation of the Strategic Development Report took approximately one and one-half years and utilized one to four staff people. Because of the continuing management upheaval and financial difficulties the strategic planning effort has not been provided with full support and has languished since early 1987.

The environmental analyses for the 1986 Strategic Development Report was conducted by the Strategic/long-range Planning Section with input from the TAC. The Corridor Assessment Project identified those rapid growth corridors that are most likely to require significant resource commitments between 1985 and 2000. Management reviewed the conduct of the environmental analyses and corridor assessments and essentially made no changes. While the external environment was extensively evaluated and documented, the internal assessment of the agency was cursory.

The Strategic Development Report contains the following internal and external environmental trends and conditions:

1. AC Transit has established a strong record as an innovator in regular and contract services, responsiveness to the marketplace and coordination with BART and other regional transit systems.
2. Local funding has been constricted and recently federal and state monies have been curtailed. As a result, severe budget austerity has limited service options. Ridership has leveled off since the early 1980s.
3. AC Transit has pursued new programs involving the development of new and rehabilitated infrastructure.
4. The study area (most of Alameda and western Contra Costa Counties) will see an 18 per cent increase in population between 1980 and 2000 with a 32 percent increase in employment. Residential growth will occur primarily in the suburbs, while job growth will continue along the Bay. This separation will

contribute to high growth in commuter traffic.

5. The existing and planned roadway network in the East Bay will not be able to handle the anticipated travel demand.

6. BART expansion plans will handle some of the new travel demand between the East Bay and San Francisco but will fall short of the total anticipated demand in 2000.

7. Traditional funding sources and institutional relationships will change over the next several years, requiring transit systems to explore private service contracts and more innovative funding sources.

8. Increased integration of regional transit services will be necessary within the region as a whole.

9. A regional perspective is needed of the impacts of development, growth management policies and transportation improvements in the East Bay.

10. Busways, electric trolley buses and light rail transit may be applicable to the future AC Transit system.

Among these trends and conditions, the report focusses on the following strengths, weaknesses, opportunities, and threats:

1. A healthy regional economy, strong transit ridership/acceptance, enlightened growth/environmental policies, vibrant central cities, and high quality transportation facilities are key strengths and opportunities.

2. Financial constraints, an image problem, a "down-scale" market, and urban decentralization are key weaknesses and threats.

3. Regional transit integration, technical composition of the bus fleet, BART policy, freeway constraints, environmental considerations, growth policies, and energy supplies can affect the prevailing scenario of the future and offer additional challenges.

The environmental assessment preceded the establishment of AC Transit's mission. The mission statement is contained in the FY 1988-1992 Five Year Plan but not mentioned in the Strategic Development Report. It is as follows: "The mission is to increase AC Transit's market share of travel, while at the same time insuring the highest and best use of the District's resources."

The Strategic Development Report does contain seven recommended guidelines for the direction of AC Transit through the year 2000. The guidelines reflect a policy framework that was developed through this and other AC Transit planning activities. The guidelines and supporting goals elaborate on the stated mission of AC Transit, but there are no measurable objectives by which to evaluate strategies and to measure progress. The guidelines/goals are as follows:

1. Strengthen marketing, services and ridership-goal: increased ridership and farebox recovery, plus improved image for AC Transit.
2. Assess/develop major transit corridors-goal: effective competition with the automobile on and near congested freeways.
3. Assess/develop capital facilities/fleet-goal: to maintain

modern facilities, transit vehicles and support systems.

4. Develop stronger, stable financial base-goal: increase financial self-reliance.

5. Assess organization/human resources-goal: to make AC Transit's employees, at all levels, a dynamic, positive sales force.

6. Promote regional transit integration and cooperation-goal: to assist in making the regional transit network as easy to utilize as possible, irrespective of operator ownership.

7. Help influence and shape regional development-goal: to maximize AC Transit's role in making the service area a great place to live, work and use transit.

The mission and guidelines/goals appear to be responsive to AC Transit's challenging environment. Without mentioning a specific product the mission statement refers to expansion of market share with efficient utilization of resources. The marketing emphasis is apparent; four guidelines/goals are marketing or product development oriented. In the first goal increased ridership and farebox recovery could potentially conflict; yet, an organization can rightfully strive for both. Two guidelines/goals are finance and human resources oriented and the last one is oriented toward shaping the service area's environment.

The Strategic/long-range Planning Staff developed the recommended strategies in the Strategic Development Report through "brain-storming." Management reviewed the recommended strategies at the workshops in early 1987 but essentially left

them as stated. The SPA Consultant recommended in late 1987 a management retreat to delve into strategy development more deeply, but management was more concerned with short-term, day to day crises. Thus, a retreat did not take place and management did not develop additional strategies. Also, management did not formally evaluate strategies for appropriateness.

The Strategic Development Report contains a list of key strategies/options under each guideline/goal in summary form and devotes an entire chapter to near-term and long-term strategy development. An example of the listing of guidelines/goals and strategies/options follows:

1. Strengthen Marketing, Services and Ridership

Increased Ridership and farebox recovery, plus improved image of AC Transit.

- a. Return service delivery levels on existing route network to acceptable levels.
- b. Plan/implement Comprehensive service restructuring.
- c. Undertake marketing research and promotion.

2. Develop Stronger, Stable Financial Base

Increase financial self-reliance.

- a. Improve efficiency and effectiveness of operations through reduction of unproductive services and streamlined management.
- b. Development of new funding locally.
- c. Re-alignment of existing regional monies if appropriate to benefit AC Transit operations.

d. Pursue innovative funding and public/private approaches where appropriate.

3. Help Influence and Shape Regional Development

Maximize AC Transit's role in making the service area a great place to live, work and use transit.

a. Circulate Land Use and Transit manual.

b. Cooperate with regional and transit agencies, developers and private enterprise to promote mutual aims.

c. Assist local communities in planning.

d. Strengthen proactive environmental review.

The work programs funded through the budget provide the only strategy implementation plan. The budget cycle and the strategic plan are currently not well coordinated, according to the SPA Consultant. Financial planning and budgeting is a relatively new process for AC Transit and its linkage with a five-year strategic plan is not yet in place.

Programs have been developed that are indirectly implementing strategies, e.g., route restructuring. Such programs have been assigned based on area of responsibility within the organization. Staff with program responsibilities thus have specific objectives for merit appraisal purposes. However, the Strategy Development Report does not dictate the annual objectives.

The monitoring of programs consists of quarterly reports that show the progress in meeting program targets. While there are performance indicators used in the progress reports, many are

not descriptive of effectiveness or efficiency. There is currently no one group assigned the responsibility to actively monitor the "implementation" of strategies. Because some of the performance indicators or measures are rather nebulous, it is difficult to tie strategic objectives to staff objectives and, consequently, for management to respond effectively if objectives are not being met.

One of the key recommendations of the Strategic Development Report was an improved budget process. A budget office was recently created as a means to develop a link between planning and finance. A marketing department existed prior to strategic planning, but historically its efforts involved general promotion of services with little market research. The Strategic Development Report and the Interim General Manager, formerly with Seattle Metro, have emphasized increased marketing and market research efforts.

According to the SPA Consultant, strategic planning within AC Transit has brought up issues before management that must be addressed, if long-term financial stability is to be achieved. While AC Transit's infrastructure has been well-planned and financed, the organization itself has not adapted to its environment. Management has agreed that strategic planning should determine the direction of AC Transit, but direction is currently determined by allocation of resources based on crises and political pressure. The Board has not yet arrived at a consensus on the direction of AC Transit and created the

conditions for management stability. Strategic planning is accepted and mentioned often within the organization, but managerial and financial instability have brought about little active organizational support of a process. The commitment of a contract consultant to strategic planning is certainly insufficient for continuation of a process. A specific organizational unit headed by a department-level manager with strategic and capital planning responsibilities is needed.

The SPA Consultant concluded that if strategic planning had received a stronger, earlier commitment, then perhaps much of the current financial and managerial crisis may have been avoided. AC Transit may have been able to expand its funding base and political constituency from the transit-dependent in the Oakland area to the middle-class areas of central Contra Costa County. AC Transit has been very dependent on funding from MTC and BART. Its strategies and programs are severely constrained by MTC's mission and financial resources. Yet, there has not been enough proactive planning and strategy development to enhance AC Transit's financial position.

Strategic Planning at New Jersey Transit

New Jersey Transit (NJT) is a statewide public transportation agency which operates bus and rail systems through three subsidiaries. New Jersey Transit Bus Operations, Inc. (bus subsidiary) operates 2624 buses and serves twenty of New Jersey's twenty-one counties. Routes range from local service to express commuter service to Newark, New York, and Philadelphia. The bus

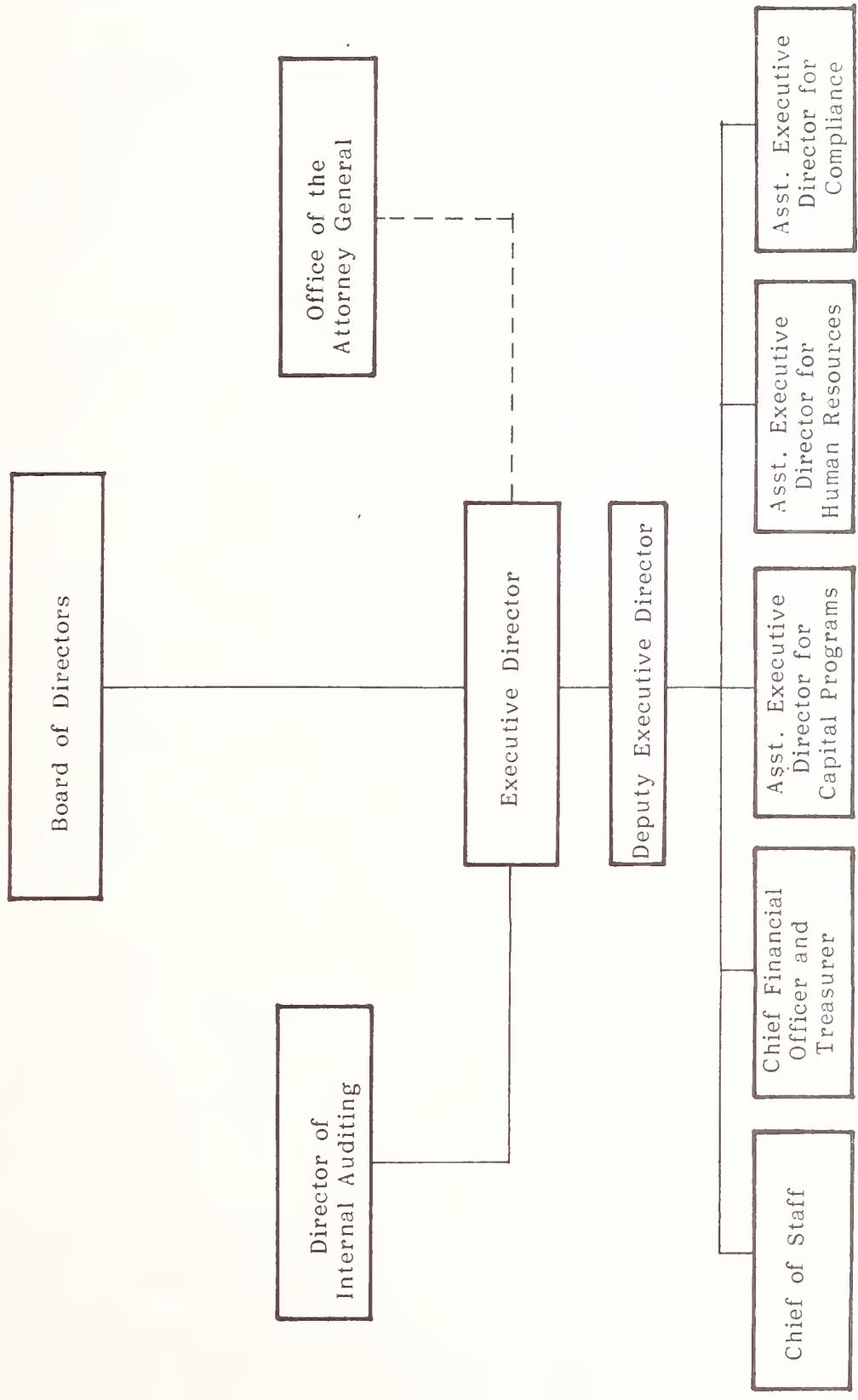
subsidiary also operates a light rail system in Newark. New Jersey Transit Rail Operations, Inc. (rail subsidiary) operates commuter rail and serves twelve counties on ten railroad lines. A third subsidiary, New Jersey Transit Mercer, Inc., operates the bus system in Trenton, NJ. NJT as a whole employs approximately 7500 persons.

The Chairman of the NJT Board of Directors is the Commissioner of Transportation of the New Jersey Department of Transportation. The Board selects the Executive Director as chief executive officer of NJT. Under the Executive Director is the Executive Committee, made up of the Deputy Executive Director, the general managers of the three subsidiaries, Chief of Staff, and the directors of Capital Programs, Finance, Human Resources, and Compliance (Exhibit 4.2). The Chief of Staff is responsible for planning, policy analysis, marketing, and public affairs.

NJT was created by an act of the state legislature in 1979 to manage and improve bus and rail passenger services throughout the state. By 1985 the management of NJT entered a new phase of concern over future direction and expansion of services to meet rapid growth in the state. Previously, the organization had emphasized investment in and upgrading of a deteriorated transit system. NJT began its strategic planning process by hiring AT&T's Organization Effectiveness Group in January 1985 to conduct a three-day retreat for NJT managers. During the retreat, managers analyzed environmental trends; evaluated

NJ TRANSIT

EXHIBIT 4.2



strengths, weaknesses, opportunities and threats; developed a mission statement; and formulated strategies. The retreat turned out to be an initial, tentative attempt at strategic planning. Management believed that AT&T's approach needed further modification for public sector application.

According to members of the NJT Planning Department, the Executive Director initiated the strategic planning effort, but delegated the responsibility to develop a formal process to the Chief of Staff, now the Deputy Executive Director. The Executive Director has been a believer in strategic planning. He has supported strategic thinking, approved the steps in the process, and participated to some extent in the retreats. Middle-level management has been enthusiastic and has actively participated in the process. The Board of Directors did not participate.

Two groups within NJT have responsibilities for the strategic planning effort: The Office of Strategic Planning (OSP) and The Strategic Planning and Policy Committee. The OSP is a part of the Planning Department, which has responsibilities for regional project planning and for strategic planning and market research. The Strategic Planning and Policy Committee consists of upper-level management and comprises a task force on strategic planning.

The OSP has guided the organization through the steps of the strategic planning process, since just prior to the original retreat. The OSP has coordinated the collection of data, identified stakeholders, identified strategic issues, facilitated

meetings and developed a portfolio analysis/evaluation matrix.

The participants at the first retreat created the Strategic Planning and Policy Committee to complete the strategic planning process, rank tasks to support the mission statements and goals, and resolve critical issues. The OSP was assigned to the committee for staff support.

The private sector was not involved in the strategic planning process except in the role described previously, as consultants. Private providers were not involved in the process, since NJT is sensitive to the providers' role as competitors. However, a Private Carrier Advisory Committee has been set up to coordinate service provision and to resolve conflicts between NJT and private sector providers. The Director of Planning at the New Jersey Department of Transportation was the only outside public sector representative to participate in strategic planning meetings. The public-at-large was also not directly involved in the process.

The Chief of Staff communicated the need for the first strategic planning retreat as well as the responsibility of managers for participation. According to the Manager of OSP, the communication in the beginning was "behind the scenes" and was targeted to the Board of Directors and to the middle levels of management but not to the other members of the organization. NJT's strategic planning process has been only intermittently a central focus for the organization. The Strategic Planning and Policy Committee, which was formed to maintain communications

throughout the organization and to coordinate activities, has been somewhat inactive at times.

According to the Manager of OSP, the resources allocated to strategic planning have been appropriate for the scope of the process and size of the effort. A Section 8 UMTA grant was used to develop the process, collect the required information, conduct the retreats, and carry out several small studies. Time was a constraining factor, however. After the first retreat in January 1985, there were several retreats and workshops that typically had ambitious agendas for which the allocated times were not enough. OSP staff preparation time was extensive due to the small size of the staff. Resources were not available for a more formal and pervasive approach to strategic planning.

After the first retreat the strategic planning process consisted primarily of the rail and bus subsidiaries' development of business plans in 1986 through a series of workshops. The purpose of the business plans was to outline for top management the evaluation of bus and rail services within the context of financial and market pressures. The business plans were to contain the bus and rail mission statements; key demographic, economic, and political trends; markets and competition; goals, strategies, and resources; and risk analysis and contingency plans.

OSP facilitated the workshops for management and planning staffs and provided much of the data on the environment; OSP had gathered demographic and economic data and three to four years of

bus and rail performance data. Through a joint venture with the Port Authority of New York and New Jersey, NJT developed the capacity to model travel between New Jersey and New York. The model was used to forecast travel through 1995 based on regional employment and labor force data.

The bus and rail subsidiaries' management and planning staffs perceived the following key external and internal environmental trends:

1. Decreasing federal, state, and Port Authority subsidies for transit.
2. Deregulation of the interstate bus industry.
3. Growth in Trans-Hudson travel as a result of changing employment and residential growth; result is traffic congestion, especially at the Lincoln Tunnel, and inadequate capacity on roads and rail lines.
4. Increased residential growth throughout the state, especially along the waterfront, Route 1, and in the Meadowlands; increased employment in New York City and in suburban New Jersey.
5. Increasing ridership on the rail system.

The bus and rail mission statements, which were combined into a set of agency-wide mission statements, are as follows:

1. Plan, fund, operate, monitor and enforce the provision of coordinated, quality public and private bus, passenger rail, and light rail transportation services.
2. Operate the most cost-effective mix of bus, passenger rail, and light rail services that meet the needs of current and

potential riders.

3. Provide quality service for work trips by peak, off-peak, and reverse commuters and for non-work trips by students and recreational, elderly, and handicapped riders.

The specific goals of the bus subsidiary are as follows:

1. Obtain adequate capital and operating funds for the bus and light rail transportation system;
2. Implement a public/private program which allows NJT to coordinate and control all bus service in the state, including bus service operated by private carriers;
3. Implement NJT bus capital program;
4. Improve the efficiency of NJT bus operations;
5. Respond quickly and effectively to the marketplace.

The specific goals of the rail subsidiary are as follows:

1. Achieve the best employee safety record in the industry;
2. Develop more effective cost controls;
3. Increase peak and off-peak ridership;
4. Increase revenues by utilizing all rail assets;
5. Ensure a seat for every passenger;
6. Meet parking demand and growth by increasing parking capacity;
7. Eliminate deferred maintenance;
8. Locate new markets where NJT rail can serve cost-effectively;
9. Manage NJT rail assets to effectively and efficiently meet growing demand for rail service.

NJT has experienced major changes in its environment, including deregulation of interstate public transportation,

decreases in government subsidies, and rapid and continued growth in ridership. The mission statements and goals of the organization appear to be responsive to these environmental changes. The mission statements of NJT reflect the traditional values of a public transit organization, yet state the organization's missions in explicit product and market terms. The goals of the rail and bus subsidiaries reflect the strong orientations toward finance and marketing of services.

The analyses of the environment and evaluation of services consisted of a portfolio evaluation based on MacMillan's Matrix, a matrix developed to guide resources allocation in non-profit organizations.(1) NJT's bus and rail services were arrayed on a matrix according to three dimensions: market attractiveness, competitive position, and alternative coverage (Exhibit 4.3). Market attractiveness is defined as the degree to which services cover costs through fares or subsidies. Each rail line or bus route group was considered a market segment. Competitive position is the degree to which NJT meets the needs of commuters compared to other providers (market share). Alternative coverage is the extent to which another provider could serve the market if NJT exited it. NJT operates in markets with significant private sector competition as well as in markets where riders have no other transit alternatives.

After the services were positioned in the service mix matrixes the participants at the workshops decided if the locations of the rail lines or bus route groups were appropriate

NJ Transit Service Mix Matrix

EXHIBIT 4.3

Market Attractiveness

Competitive Position	Market Attractiveness			
	High		Low	
Strong	I. Aggressive Competition	II. Aggressive Growth	V. Aggressive Service Maintenance	VI. Selective Growth
	III. Contract Out or Exit	IV. Build Strength or Contract Out	VII. Prove Viability	VIII. Restructure Service or Contract Out
Weak	High		Low	
	Low		High	
	IX. Selective Service Maintenance		X. Soul of the Agency	
	XI. Orderly Divest or Contract Out		XII. Joint Ventures	

Alternative Coverage

within the context of the agency's mission. The rail and bus subsidiaries developed general strategies as well as rail line and bus route group strategies to meet the goals. If a location was deemed appropriate, then strategies were recommended to maintain the current matrix position. Inappropriate positions led to the development of strategies for moving services to a more desirable cell. Strategies involved overcoming threats posed by competitors, including cars, vans and other bus services. Participants also outlined the resources needed to accomplish the strategies. An example of the strategies/resources discussion in the Rail Business Plan for a particular line is shown in Exhibit 4.4.

The strategies of the Rail Business Plan emphasize greater efficiency, financial control and investment, and marketability of new services. The strategies of the Bus Business Plan emphasize increased funding and capital investment, efficiency, coordination with competitors, and marketability of services. Because NJT provides interstate services, the organization appears to be sensitive to the threats of deregulated competitors, emphasizing strategies on marketing, efficiency, and control of competition.

The bus and rail subsidiaries' business plans were presented at a planning retreat held May 1-2, 1986. Middle and upper-level management in NJT, led by the Executive Director, evaluated the appropriateness of the strategies developed by the bus and rail management and planning groups. Management modified the business

Exhibit 4.4

NORTH JERSEY COAST LINE CELL PLACEMENT: AGGRESSIVE SERVICE MAINTENANCE

Revenue/Cost Strategies/Resources: Investigate the possibility of going from double track to single track from Asbury Park/Long Branch to Bay Head. Risks: Implementation may decrease service quality and operations flexibility. There may be political opposition to this strategy.

Travel Time Strategies/Resources: Increase speed by improving signal system and track. Capital funding needed for track improvement.

Risks: Funding may not be available for improvements south of Long Branch.

Accessibility Strategies/Resources: Increase parking at Matawan area sites which may include the Rondinelli (Old Bridge) site, also at Red Bank. Funding is required for parking expansion. Risks: Developer may not be able to fund.

Frequency Strategies/Resources: Expand and market weekend service to New York from Matawan. Extra equipment and crew may be necessary. Risks: Increased costs may not be offset by increased revenues.

plans, using only one criterion: availability of financial resources. Management also identified during this conference critical issues requiring resolution prior to successful implementation of the business plans and their respective strategies. The critical issues are as follows: (1) resource allocation methodology, (2) funding stabilization, (3) legislative proposals for cost reduction, (4) revenue enhancement, (5) performance monitoring system, (6) private bus policy, (7) rail and bus access plans, (8) pricing policy, (9) bus and rail cost effectiveness improvements, and (10) headquarter's cost effectiveness improvements.

The major responsibility for implementation of strategies regarding current services lies with the rail and bus subsidiaries. They have not developed any formal implementation plans, although the business plans have formed the basis for major operating decisions and investments by management. Implementation is occurring through informal commitment to the strategic planning process. There are no formal links between strategy planning/implementation and merit appraisal and compensation. Strategies have been implemented by OSP (those related to planning) and by individual strategy champions who are enthusiastic and committed to a strategy.

The Department of Planning has the responsibility to manage the analysis and to prepare recommendations for positioning NJT to meet future growth. The department is currently preparing a multi-year planning initiative to develop program recommendations

as a basis for future strategic investment decisions.

Strategic planning at NJT does not yet have a link to the budget cycle, a necessity to full implementation of strategies. Although NJT has emphasized assessment of market segments and targeting of services to various markets, marketing objectives do not necessarily result in financial commitments. The Manager of OSP expects the Finance Department to be closely involved in strategic planning in the future and describes the current Director of Finance as "strategy oriented." The Director of Finance was hired by the Chief of Staff partly for the purpose of involving the Finance Department in strategic planning/management.

There have been no organizational changes as a result of the strategic planning process. Although one is currently underway, this reorganization is not related to strategic planning. The elevation of the Chief of Staff to Deputy Executive Director furthered strategic planning's acceptance within NJT. According to members of the Planning Department, the organization below middle-level management has not been involved in strategic planning and has not perceived any change in the organization as a result of the process.

Formal performance based monitoring of strategy results has not occurred, because implementation has not been formally constituted. There is no mechanism for monitoring beyond the collection of data for service planning purposes. There is an informal list of strategies for implementation, which has been

used as a benchmark for evaluating success, but there is no formal review by or subsequent response from management.

According to the Manager of OSP, the principal benefit of the strategic planning process is that a comprehensive framework for developing the mission and for assessing the environment, history, services, stakeholders, finance, and investment has been incorporated into the organization as a way of thinking and managing. The workshops resulted in in-depth evaluations and brainstorming by planning groups and upper-level management at the subsidiaries and at the corporate level. Management's philosophy that strategic planning/management is a way of doing business and not an exercise in documentation has meant that there is not a written document that can be considered "the strategic plan."

NJT's Office of Strategic Planning began its strategic planning approach at a time when there were few models in the public sector. The organization of the process and the commitment by upper management to it may have been sufficient for environmental assessments and for strategy development but insufficient for comprehensive implementation of strategies. Given the current commitment and organization the implementation of the major new initiatives on future services may be particularly difficult. The linkage between strategy and implementation will be essential.

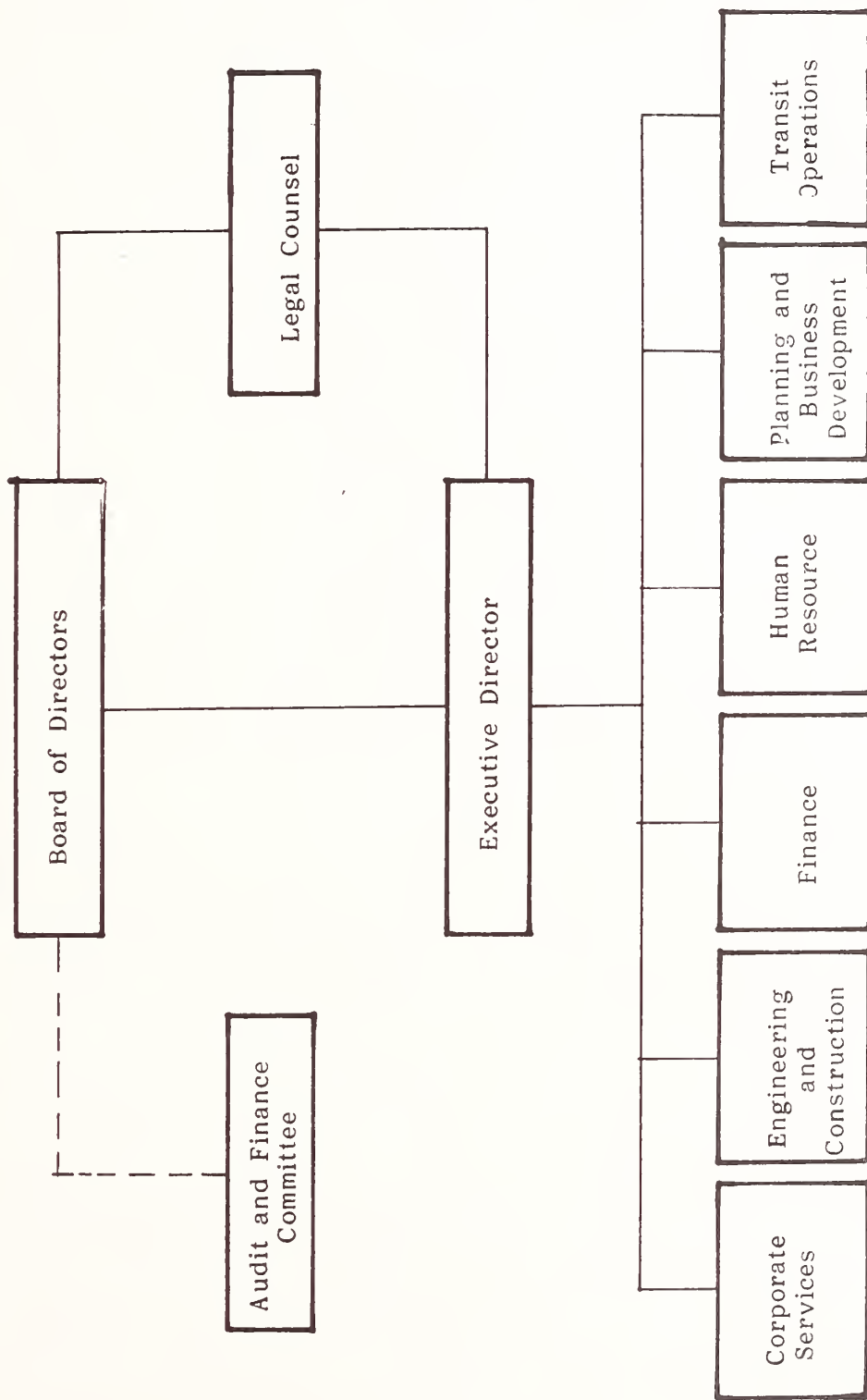
Strategic Planning at Port Authority of Allegheny County Transit

The Port Authority of Allegheny County Transit (PAT) serves the City of Pittsburgh and surrounding Allegheny County, Pennsylvania. PAT employs approximately 3000 people and operates a transit system of 932 buses, incline and light rail transit. Incline consists of two cable car (gondola) lines to the top of Mt. Washington. Commuter rail and demand responsive services are contracted to and operated by private carriers. It is organized under the Allegheny County Commissioners, who appoint the Port Authority Board of Directors, who in turn select the Executive Director. Under the Executive Director operate six divisions: Corporate Services, Engineering and Construction, Finance, Human Resources, Planning and Business Development, and Transit Operations (Exhibit 4.5). Various departments in each division comprise the functional areas of the organization.

A committee of the Pittsburgh Chamber of Commerce first recommended strategic planning to PAT in 1984. The PAT Board of Directors announced a set of seven goals in June of 1984 to guide the first strategic business plan. The firm of Booz, Allen and Hamilton, Inc. provided guidance during formation of the plan. The firm's assistance was provided as part of the management prototype study funded by the Urban Mass Transportation Administration. Also, a member of the corporate planning staff of Westinghouse Electric Corporation reviewed the plan and offered numerous suggestions for improvement.

According to the members of the PAT Planning Department, the

PA TRANSIT

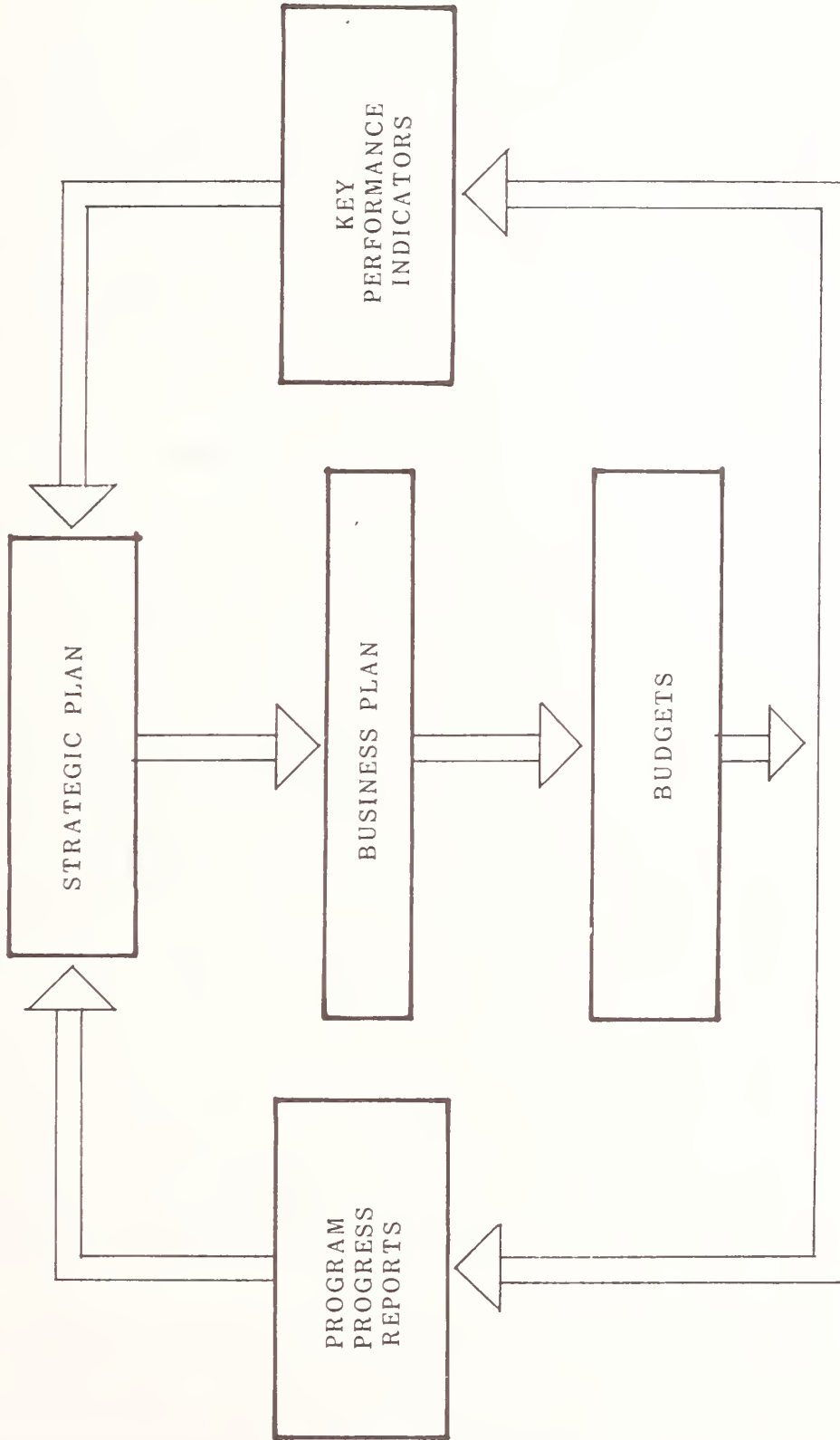


driving forces behind strategic planning were the new Executive Director, who is an advocate of strategic planning and of other innovative management techniques, and the Board of Directors, who wanted management to have more control over the destiny of the organization. PAT was and is operating under political and legal constraints and in an environment undergoing major change. The Board of Directors stressed planning issues and relationships with other planning agencies, particularly with regard to transit performance and land use. Management wanted to be proactive and establish goals, objectives, and programs, rather than be merely reactive to environmental threats. PAT's strategic planning process evolved from the objective of management to produce a short, readable, and specific strategic business plan and with the guidance of personnel at Booz, Allen and Westinghouse Electric.

When the first strategic business plan was completed in March 1986, the Director of Planning and Business Development recommended that in the next (1987) planning cycle the strategic business plan be separated into two documents: (1) a five year strategic plan that would analyze the internal and external environments and would present PAT's goals and objectives and (2) an annual business plan that would contain specific programs to achieve the objectives and would interface with the annual budget (Exhibit 4.6). The Executive Director and division directors (Management Committee) revamped the goals for the 1987-1991 Strategic Plan because of omissions in and progress since the

PAT'S PLANNING PROCESS

EXHIBIT 4.6



first plan.

The strategic planning effort was organized by the Planning Department of the Planning and Business Development Division. The department is responsible for the long-range capital plan, annual business plan, strategic plan, annual capital needs study, and research and support for other divisions and departments. The Manager of Planning developed a schedule of events to organize the strategic planning effort. The Planning Department collected data; obtained input from the other divisions on goals, objectives, and implementation; and communicated and coordinated the process at management meetings. The Manager of Planning has described the department's role as "a conduit of information."

The private sector and other government agencies were not involved in the strategic planning process except in the roles described previously, as consultants and as members of the County Commission or Board of Directors. Private providers of public transportation were not involved in what was considered a process for internal planning purposes. A citizens interest group, the Allegheny County Transit Council (ACTC), was involved in the review of organization goals, objectives, and programs and of the environmental analyses. The ACTC consists of 55 transit-oriented citizens who are described by the Manager of Planning as "assertive and vigilant."

Communication of the strategic planning process throughout the organization originated at the division directors' bimonthly meetings held at locations away from PAT headquarters (mini-

retreats). The directors then communicated with their respective division personnel. The Planning Department met with managers and staff units as needed for in-depth communication and explanation of the process. According to members of the Planning Department, there was some confusion during the 1987 planning cycle over the separation of strategic and business plans.

Planning Department personnel perceived the resources allocated to the strategic and business planning process as sufficient. The organization of the first plan took approximately one year. The Planning Department dedicated one person full-time for four months to the development of the 1987-1991 Strategic Plan and 1988 Business Plan. The original time frame slipped somewhat when program development took more time than anticipated. The entire program development and review of the 1988 Business Plan took approximately three months.

The analyses of the environment for the Strategic Plan evolved from five external and five internal elements selected by the Planning Department. The Management Committee and the Board of Directors reviewed these elements and expanded them. As a result, land use trends in the county were more closely analyzed. The ACTC also provided input on the external analysis elements and the composition of the plan. The Planning Department selected indicators or measures of strengths, weaknesses, opportunities, and threats and the Management Committee reviewed them.

The major internal analysis elements in the 1987-1991

Strategic Plan are the following:

1. Since 1980, service and ridership levels have been slowly declining;
2. Since 1983, fixed route service productivity has increased;
3. Since 1980, revenues have increased at the rate of inflation;
4. Since 1980, expenses have increased at the rate of inflation;
5. As a result of reorganization and decentralization, there have been improved management control and increased operating efficiency;
6. A number of policy controls to provide direction for management and employees have been implemented;
7. Fixed facilities are generally in good condition due to aggressive capital improvement programs.

The major external analysis elements in the 1987-1991 Strategic Plan are the following:

1. Population declines in the City of Pittsburgh and in Allegheny County are expected to continue through the next five years;
2. Migration from the city to the county is expected to continue;
3. Since 1980, the number of low income and elderly persons has been increasing but so has the level of auto ownership per capita;
4. While unemployment is expected to decline in Allegheny County, the rate of transit use for work-trips has been decreasing since 1960;
5. Per capita income for county residents has increased more slowly than the rate of inflation since 1980;

6. Federal and county operating subsidies have grown less than the rate of inflation since 1980;

7. Federal government has promoted public/private partnerships to reduce transit dependence on government subsidies.

The Management Committee expressed the mission of PAT in the 1987-1991 Strategic Plan for the first time: "To provide a safe and efficient mass transportation system that promotes mobility and better quality of life in Allegheny County with available financial resources." The Management Committee also stated the goals of the PAT as follows: (1) to improve service quality, (2) to increase service productivity, (3) to improve financial stability, (4) to maximize ridership, (5) to invest in employee and organizational development, (6) to maintain and improve facilities and equipment, (7) and to promote pride in PAT. Within these goals the Management Committee established forty-five objectives to guide the development of programs.

While the external environment revealed a decentralizing service area, decreased transit usage for work-trips, increasing automobile ownership, reduction in operating subsidies, and federal promotion of public/private partnerships, the mission statement mentions only the provision of mass transportation within financial constraints. Given the changes in the market, the goals of improved service quality and maximization of ridership with mass transit may potentially conflict with the goals of increased productivity and financial stability. Increased ridership and improved service quality are explicitly

market-oriented goals; the rest of the goals emphasize efficiency and enhancement of organizational resources. In general the goals are oriented more toward the traditional values and financial condition of a public transit organization and less toward market conditions. The announcement of goals in June 1984 prior to the first strategic business plan is indicative of the organizational values orientation.

Political and legal mandates have played a major role in the organizational values orientation of PAT. The Board of Directors has actively supported better management and planning of mass transit services. It has been sensitive to the need for greater efficiency in light of funding constraints. Pennsylvania State Law 76 of 1986 mandates controls on long term operating expenses and annually balanced budgets, which present both opportunities and threats to PAT.

The strategy development process consisted exclusively of the development of programs to meet the goals and objectives. Once the Strategic Plan (environmental assessments and goals, objectives) was completed, the various department managers filled out program description and justification forms related to specific goals and objectives. Some managers had planning experience and all were actively involved in developing the programs. The Management Committee reviewed 150 suggested programs and refined, added, and cut programs in light of the objectives. They assigned specific staff responsibilities and starting and completion dates to each program. One hundred

nineteen programs comprised the 1988 Business Plan, a document separate from the Strategic Plan. The programs were not evaluated through any formal criteria but only on a "recognized need" basis.

The mix of programs supports the organizational values and finance orientations of PAT. The great majority of programs address the financial, productivity, and organizational resource objectives. Market oriented programs promote market research, targeting, promotion, and reliability of existing mass transit services.

There are no explicitly stated broad strategies in either the Strategic Plan or 1988 Business Plan. However, as one reviews the various programs, certain strategies become apparent. For example under the second goal of increased service productivity and the objective to increase employee effectiveness, the programs reveal a strategy of greater computer utilization (Exhibit 4.7).

The annual business plan accomplishes the formal implementation of programs and is conducted on the same one-year cycle as the annual budget (July 1-June 30). The 1988 Business Plan contains information on goals, objectives, program description, tasks, lead person, and estimated date of completion (Exhibit 4.8). The operating budget identifies the annual activities and resources of PAT. The implementors or lead persons are usually the managers who suggested programs to meet the objectives. If the program is retained after Management

Exhibit 4.7

FY 1988 BUSINESS PLAN PROGRAM SUMMARY
July 1, 1987 to June 30, 1988

<u>Program Description</u>	Lead Division	Expected Progress			
	Lead Department	by Quarter			
	<u>Lead Person</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>Goal: 2. Increase Service Productivity</u>					
Objective: A. Improve the Effectiveness of the Control Systems.					
Develop a comprehensive, computerized on-line human resources database.	Human Resources Compens. & Benefits Richard J. Ober	20%	60%	90%	100%
Revise the present per- formance code manual for use by mgt. employees.	Human Resources Employee Relations James Downing	30%	45%	95%	100%
Examine job assignment procedures for mainte- nance personnel.	Human Resources Employee Relations Harold Hall	50%	100%		
Complete initial cycle of the ASSURE APPROACH program.	Corporate Services Internal Audit Larry Conley	67%	84%	100%	

Exhibit 4.8

FY 1988 BUSINESS PLAN PROGRAM

Goal: I. Improve Service Quality

Objective: A. Improve vehicle and fixed facilities appearance.

Program: 1. Improve the appearance of stations and shelters
replace plexiglass panels with safety glass in all
shelters.

Program Description: Reorganize shelter cleaning crews and replace
plexiglass shelter panels with safety glass in all shelters.

Tasks:

- a. Reorganize shelter cleaning crews-develop night
crews and one-man daylight crews.
- b. Purchase equipment needed for crews including
\$200,000 for safety glass replacements for shelters.
- c. Inspect shelters for cleaning and replacement of
broken glass and panels.
- d. Continue safety glass panel close-out of shelters.
- e. Improve station and shelter cleaning schedule.

Justification: The stations and shelters need the added attention to
improve the cleanliness and improve facilities' appearance. Replacement
of the plexiglass shelter panels improves the appearance and visibility.

Status: New Program

Expected Completion as of June 30, 1988: 100%

Lead Division/Department: Transit Operations/Building Maintenance

Exhibit 4.8 (Continued)

Support Department: Ways and Structures

Performance Indicators: General appearance of shelters and stations.

Improved frequency of cleaning.

Number of shelters with safety glass panels.

Committee review, the accomplishment of a program becomes part of the lead person's management objectives.

The business planning process is tied to management objectives and compensation. Planning Department personnel, particularly the Planning and Business Development Division Director, have performance appraisal objectives to develop strategic and business plans. The other division directors do not have explicit objectives to participate in strategic planning. The responsibility to plan strategically is apparently implicit. The division directors and department managers have objectives to implement the business plan programs, but one must develop programs in order to implement them. In the future it is expected that program implementation objectives will be explicit for all relevant personnel not just for management.

There have been no organizational changes as a result of the two cycles to the strategic planning process. Reorganization last occurred during the formation of the first strategic business plan in 1984. The reorganization resulted from prior management studies, but members of the Planning Department perceived it as compatible with the strategic planning process. The reorganization has achieved greater decentralization of the organization and created a new division, Corporate Services, and a new Marketing Department within the Planning and Business Development Division.

The Planning Department monitors the business plan program implementation. The department sends out a program list each

quarter to every division. Each division reports the actual percent completion of each program, tasks that were accomplished, and actions planned for the next quarter. Sixty-seven performance measures are used and collected by the Planning Department; they are generally related to overall transit performance and not necessarily to specific program results. Numeric targets are set for the performance indicators each year in light of past performance and future objectives. It is expected that the performance indicators will be refined in the future to be more division and program specific. Those programs deemed to be lagging in accomplishment of objectives are noted for the Management Committee. The committee can then develop "mini-strategies" or take other management actions. A quarterly progress report lists all of the programs and the levels of accomplishment. The Planning Department plans to add cost/benefit or cost effectiveness analyses to the fiscal year 1989 Business Plan monitoring activities.

The Planning Department also monitors the environment. The environment will be evaluated every five years or sooner, if a major change in it occurs. The environment was reanalyzed in the 1987-1991 Strategic Plan because some factors were overlooked in the first one.

The perception of the Planning and Business Development Division Director was that the benefits of strategic and business planning have greatly exceeded the costs. It has been a beneficial process which has allowed management to take greater

control of PAT's direction and progress. The decision-making for the programming and budgeting processes is more strategic and long-term and less operational and short term. The Division Director felt that the plan itself is an excellent communicator of the organization's sense of purpose-its goals and objectives-among its own personnel, other agencies, and the public-at-large.

According to members of the Planning Department, the major weaknesses in the process have been the lag in implementation of some programs, particularly those of managers without previous planning experience; the time budgeted for management review of the process; and the hesitancy of some managers to suggest programs for which they would become responsible for implementation.

The Planning and Business Development Division will emphasize a more detailed description of the strategic/business planning process for the next cycle of strategic planning. The Division Director stated that by the end of the third cycle, strategic planning will be "in-grained" in the organization's management style.

Market Strategy Planning at Seattle METRO

The Municipality of Metropolitan Seattle (METRO) is an agency of metropolitan government that serves all of King County, Washington, including the City of Seattle. METRO has responsibilities for capital programs, water pollution control, and transit. The Transit Department of METRO (Metro Transit) was

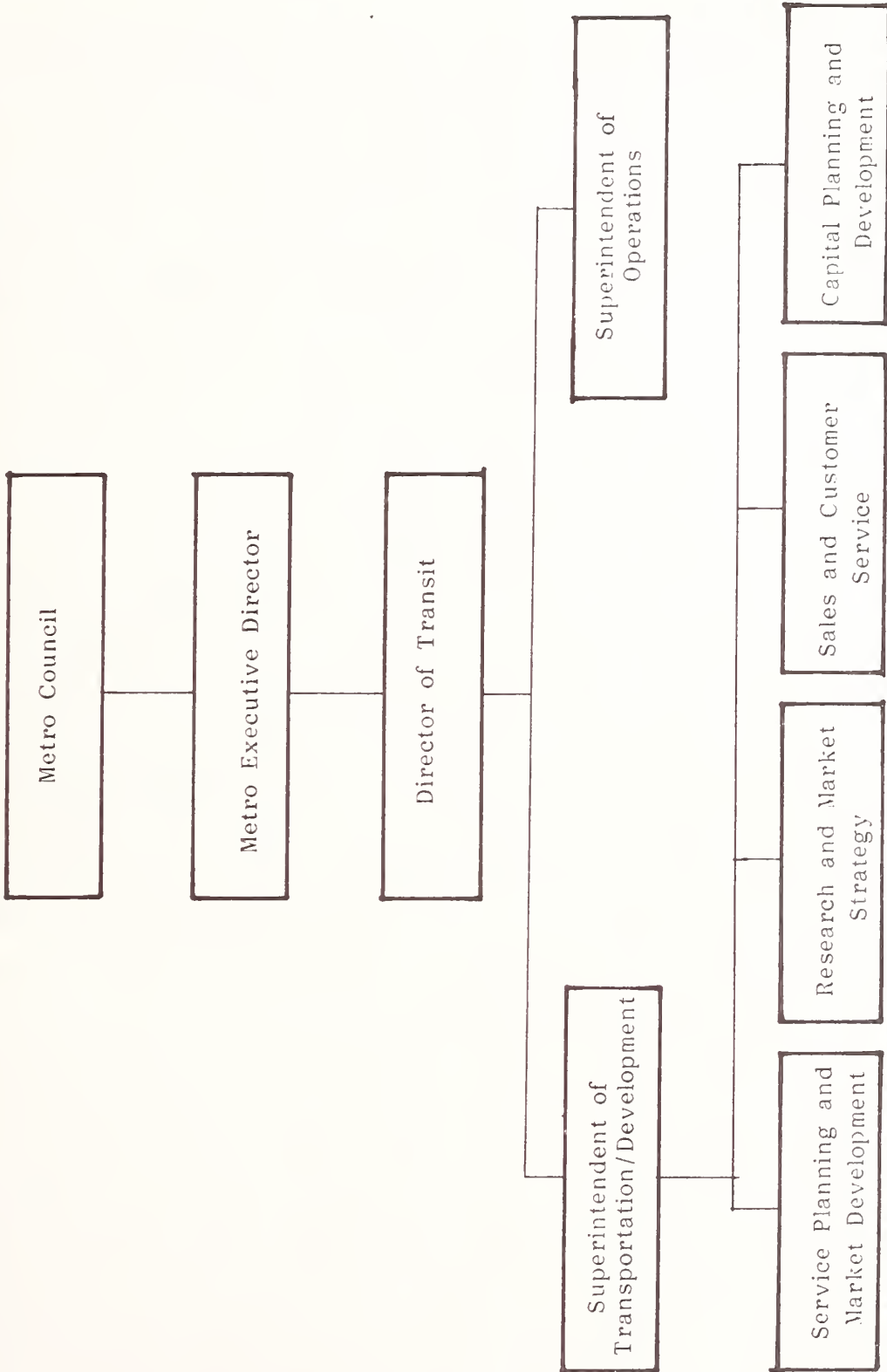
created on January 1, 1973, the result of a previous sales tax referendum in King County. Metro Transit employs approximately 3,200 people and operates a system of 1,226 diesel and trolley buses. A small portion of the system consists of a monorail, which serves downtown Seattle and Seattle Center (the former site of the Seattle World's Fair). Metro Transit manages programs for transit service to the elderly and handicapped, vanpooling, and ride matching (carpools), and is constructing a 1.3 mile tunnel under downtown Seattle (Downtown Seattle Transit Project) for express bus service and, ultimately, for light rail transit service.

The METRO Council acts as the agency's board of directors and consists of elected officials and appointees (mayors and council representatives). The Metro Transit Director serves under the METRO Executive Director. Metro Transit consists of two divisions: Operations and Public Transit Development (PTD) (Exhibit 4.9). PTD has responsibilities for sales and customer services; capital planning and development; research and market strategy; and service planning and market development. Operations has responsibilities for base operations, power and facilities, service control, and vehicle maintenance.

Metro Transit underwent rapid growth in ridership in the 1970s, but in the early 1980s it faced declines in ridership and diminished financial resources. The transit service area exhibited rapid suburbanization and various interest groups placed increasing pressure on Metro Transit for special services.

Seattle Metro Transit

EXHIBIT 4.9



While in general the public thought favorably of the transit service, some elected officials considered the agency to be unresponsive. The management of Metro Transit recognized in 1985 a need for change in thinking, strategies, and organization. Metro Transit established a Management Transportation Strategies Group, consisting of the Director and the Superintendents of Operations and PTD, to identify issues, develop organizational marketing strategies, and recommend a new organizational structure that could execute market strategy.

According to members of PTD, the prime movers within Metro Transit toward reorganization and development and execution of market strategies were the Director of Metro Transit and the Superintendent of PTD. Both managers were firm believers in a marketing orientation and the Superintendent was familiar with strategic planning. Information on strategy development within a marketing context had been obtained from the Port Authority of New York/New Jersey. After several months of discussion a reorganization was implemented in January 1986 and "a market driven approach" (marketing orientation) was adopted.

The reorganization was accomplished in order to develop and implement strategies within the market driven approach. The objectives of the reorganization were to integrate transportation products; integrate planning, marketing, and delivery of service; increase response to environmental change; and increase sensitivity to customers. Thus, the reorganization focussed on the planning and marketing functions of Metro Transit. While the

Operations Division was unchanged, the reorganization gave it more opportunities to provide input into marketing and planning.

After the market driven approach was adopted a Market Strategy Committee was formed, consisting of the Director, Superintendents, and the supervisors of each of the four PTD divisions. This group with staff support is responsible for overseeing a market strategy development process and for developing a yearly market strategy report. The first report was issued in August 1986. By the end of 1987 three reports had been prepared and they summarize the strategies and tactics to support short and long-range priorities.

One major organizational priority has been to incorporate market strategy development into Metro Transit's established long-range planning process. The long-range plan for 1990 was prepared using the traditional method of extrapolating from stable trends and specifying services to meet a target level of ridership. The long-range plan for 1990 to 2000 has taken into account alternative future scenarios which could affect public transportation. Each scenario represents conditions that could affect travel behavior and service provision. Existing and potential markets have been identified for each scenario. Services and facilities have been allocated to the markets associated with the most likely scenario.

The private sector and other public sector agencies were not involved in the market strategy development process. Members of the private and public sectors were involved as individual

consultants for the environmental scans in the market strategy reports and as an expert panel for the development of scenarios in long-range planning.

The METRO Council and the top management of METRO were also not involved in establishing a mission or in creating a market strategy development process, but they were kept informed. The Council has been described as historically unsympathetic to strategic planning, because it was viewed as being nonessential to service delivery. Thus, Metro Transit has not developed a "strategic plan" or a "strategic planning process," but instead "market strategy reports" and a "market driven approach."

The need for reorganization and a market driven approach was communicated thoroughly among the managers and professional staff of Metro Transit. They were involved in discussion meetings, market strategy lectures, and management retreats. Promotional efforts, market strategy reports, and staff training plans contained information on the reorganization and the implementation of a market strategy development process. Some PTD personnel described management's communication to staff below the supervisory level as insufficient; numerous rumors were circulated as speculation increased about the effects of the reorganization. There was some staff confusion over what the market driven approach would mean to individual responsibilities.

The reorganization and the implementation of a market strategy development process were accomplished within existing personnel levels. According to the Superintendent of PTD, there

was "only a minor budget impact." Planning the reorganization took nine months to accomplish. Metro Transit reorganized in January 1986 and the first market strategy report was produced seven months later. The resources allocated to the process were considered to have been adequate.

The initial step in the development of market strategies was the scan of the external environment for the market strategy reports. Managers and supervisors identified external environmental issues at management retreats. A panel of experts evaluated a variety of issues and trends, using survey research provided by Metro Transit and other sources of data. Market research analyses were conducted by the Research and Market Strategy Division staff and reviewed by the Market Strategy Committee. An internal assessment had been conducted by the Management Transportation Strategies Group prior to the reorganization. There have been three formal assessments of internal strengths and weaknesses of individual divisions since the reorganization. Although not formally documented in the market strategy reports, the internal assessments have influenced the development of strategies and tactics.

The development of scenarios for the 1990 to 2000 long-range planning effort constituted a more long-term environmental assessment, involving the identification of national and regional trends by a panel of outside experts and planning staff. The panel and staff developed nine scenarios, describing regional and King County economic and demographic conditions that could

influence the demand for or supply of public transportation during the 1990s.

In the 1988 Market Strategy Report the key factors that are expected to influence the operating environment in King County over the next few years are as follows:

1. The current transit market is characterized by slow growth and high level of customer familiarity with fixed route transit.
2. Ridership in Metro Transit's vanpool program and in employer vanpools has grown at a healthy rate between 1981 and 1987. The potential for increased vanpool use in the suburban portions of the county is significant.
3. In 1986, 18 per cent of home based work trips were with transit, 15 per cent were with high occupancy vehicles, and 61 per cent were with single occupant vehicles.
4. Employment and population are expected to continue to expand but at slower rates (2.0 to 2.5%/year and 0.8%/year, respectively) than in the past. More than three-fourths of new jobs over the past 25 years have been in the non-manufacturing sector and this trend is expected to continue.
5. The energy situation remains unpredictable but the 25 year trend of automobile ownership increasing 1.6 times faster than population is expected to continue through 1990.
6. Demographic trends are expected to mirror those of the nation as a whole.
7. Within the service area residential growth is expected to occur primarily on the urban fringe, but new employment growth is

expected to occur in urban and some suburban centers.

8. There is the general perception that level of service on urban area roadways has deteriorated. Major improvements in transportation infrastructure will consist of the Downtown Seattle Transit Project and commuter rail development. The tunnel will disrupt traffic in the downtown area through 1990. Additional miles of HOV lanes will be added by 1993. Competition for funding between state and local transportation needs will increase.

The rest of the environmental scan consisted of the major findings from the 1986 market survey of subarea travel behavior and attitudes. Metro Transit's emphasis on market research has allowed it to segment its market and develop new "products" to compete against the single occupant automobile in each market segment.

The 1988 Market Strategy Report does not contain any stated mission for Metro. In a paper written by the Superintendent of PTD, it is clear that Metro perceives its mission as that of a transportation agency rather than a transit agency, providing a wide variety of public transportation services at reasonable cost. Because fixed-route transit is a "mature market," the intent of the organization is to expand product lines to meet community needs more directly, flexibly, and economically and expand market share.

Analyses of the environment and the implied mission of the organization led to the development of priorities and objectives

in each of the market strategy reports. The objectives in each priority area have been stated in rather general terms without any measurable targets. In the 1988 Market Strategy Report there are six priorities/objectives:

(1) Ridership-Increase ridership by providing new services and products to meet transportation needs and by improving efficiency and convenience of service to existing riders.

(2) Customer Satisfaction-Increase customer satisfaction by making desired service improvements and by addressing customer concerns.

(3) Employee Satisfaction-Increase employee satisfaction through improved communications, employee development, and working environment.

(4) System Management-Improve the productivity, efficiency, and effectiveness of service delivery, the administrative support systems, and the strength of the financial base.

(5) System Development-Anticipate changing public transportation needs, develop new products and services to meet those needs, and promote changes in land use and transportation policies which will improve public transportation's competitiveness.

(6) Downtown Seattle Transit Project-Manage the project to ensure completion of it on time, within budget, and with effective mitigation of impacts.

The implied mission and stated priority areas and objectives are responsive to the changes in the environment. They represent a preeminent market orientation but with concern for financial

constraints. Three priorities/objectives focus on marketing and product development. One focuses on productivity, one on human resource development, and one on capital project completion.

Metro Transit developed strategies to address the priorities/objectives through brainstorming of management at management retreats. At the retreats the managers and supervisors reviewed the environmental scan material, selected the priority areas, and developed the strategies. An advisory panel was also involved in determining environmental issues for management review. No specific criteria were developed to evaluate the appropriateness of the strategies. Management selected those strategies that seemed appropriate for the mission, selected priority areas and market research results.

In the 1988 Market Strategy Report the strategies are rather broadly stated but with brief analyses and stated tactics providing further explanation. The tactics imply program areas that are then defined in the division work programming and budgeting processes. The Market Strategy Report's documentation of the ridership priority area, its objective, associated strategies and tactics, is shown in Exhibit 4.10.

The division work programs comprise the implementation plan for the strategies. The programs are directly related to the budget cycle but not firmly linked. While the 1988 Strategy Report came out in late 1987, the Fiscal Year 1988 budget was developed in early 1987. The 1988 Market Strategy Report required some late adjustment to the 1988 budget and had an

Exhibit 4.10

RIDERSHIP PRIORITY AREA

Objective: Increase ridership by providing new services and products to meet the community's transportation needs, promoting the range of public transportation services available, and improving the efficiency and convenience of service to existing riders.

Strategy: Expand targeted marketing of Metro's transportation services to markets identified in recent research.

Tactics: Develop and pursue marketing strategies for the Seattle CBD such as providing improved information to customers and promoting the existing late evening express services to suburban park-and-ride lots; and develop promotional information for Northeast Seattle which reflects the new, faster service and emphasizes the availability of extensive, frequent local service.

Strategy: Adjust service and programs to meet changes in market demand.

Tactics: Refine and follow through on Eastside Action Plan strategies by, for example, investigating provision of a Bellevue CBD park-and-ride lot shuttle, East Redmond and Houghton park-and-ride lot services and new service between Renton and Bellevue; provide experimental express service to the Seattle CBD from close-in geographic areas and selected suburban markets; investigate possible provision of public/private transportation services between downtown Seattle and the First Hill hospital community; ensure smooth transfer of Boeing vanpool program; and use the results of analyses of the guaranteed ride home,

Exhibit 4.10 (Continued)

vanpool fare incentives, and special rates of fare programs to make decisions on future efforts.

Strategy: Develop and implement improvements to existing services in response to customer preferences.

Tactics: Investigate new custom bus and paratransit services; implement changes in the local and express transit network in Northeast Seattle to improve the speed of service; develop and implement new pass programs, discounts, and distribution mechanisms; provide more personalized service to our customers; continue integration of research and marketing activities to refine targeted promotion of existing products and services; and maintain and expand a network of employment transportation coordinators at employment sites to generate awareness of and create interest in Metro's products and services.

impact on the budget for 1989. Stronger links between market strategy development and budgeting will be emphasized in the future.

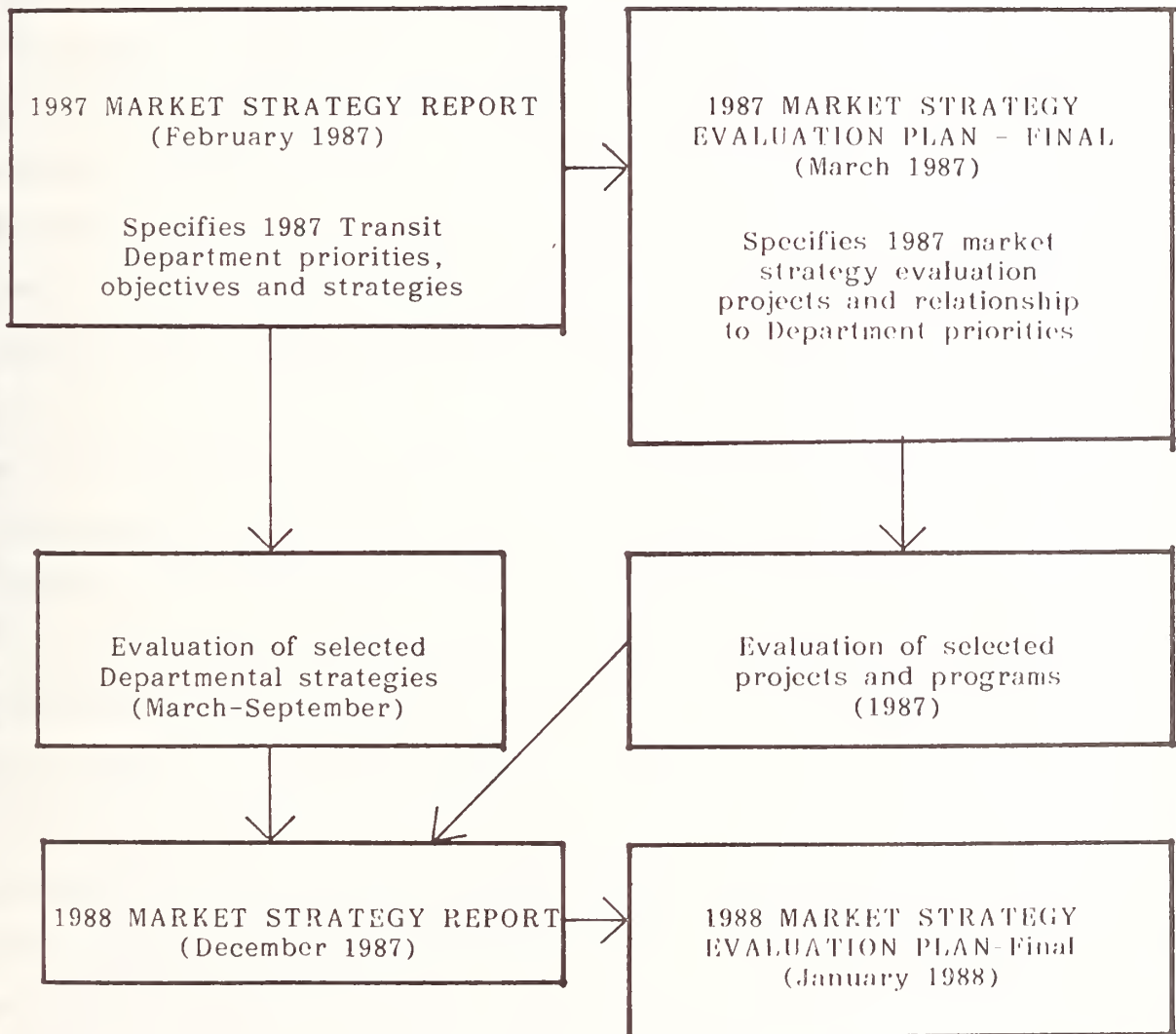
Division work programs are assigned to managers and supervisors as well as to inter-divisional work teams. Lead persons and team members are then given objectives which are used for performance evaluation and compensation. Members of the Market Strategy Committee have management objectives to establish mission, goals, and objectives, and produce market strategy reports and long range plans.

The Market Strategy Committee is responsible for monitoring performance and environmental trends. A 1988 Market Strategy Evaluation Plan formalized the monitoring and evaluation of the 1988 market strategies by describing in general terms the evaluation procedures and data requirements (Exhibit 4.11). Monitoring consists of quarterly reports and reviews of division work programs. The measurements of capital investment benefits and of service system performance, particularly for the long-range planning effort, have not yet been developed. Rigorous measurement of performance for strategy monitoring is a major task to be accomplished in the near future.

If the monitoring of performance and the individual performance appraisals determine that objectives are not being met, then the Director and superintendents can lower management compensation ratings or the Director can approve revision of the division work programs as appropriate.

RELATIONSHIP OF EVALUATION PLAN
TO MARKET STRATEGY REPORT

EXHIBIT 4.11



According to the Superintendent of PTD, the benefits of the market driven approach and strategy development are that Metro Transit is better able to serve changing markets and to evaluate and improve existing services. The organization is more transportation systems oriented. The market driven approach has fostered strategic thinking and, as a result, Metro Transit has embraced experimentation and risk-taking. Reorganization has ensured that planning and marketing efforts support overall market strategy. Long-range planning, policy and program planning have taken on strategic planning characteristics. There has been more direct control and coordination over service promotion activities.

Insufficient communication during the reorganization was the one major weakness of the market driven approach. As a result, there were divergent viewpoints on the immediate impacts of the reorganization. Reorganization brought about changes in the composition of work groups as well as in their physical location. New skills and responsibilities were required. Some staff persons perceived the reorganization as resulting in greater centralization of decision-making and less autonomy. Reorganization caused some "pain" and emotional dislocation and, according to some staff persons, not enough managerial attention was paid to the impacts. Most managers perceived the reorganization as resulting in new opportunities for professional development and more rigorous research and planning than before. According to managers and staff people, Metro Transit as a whole

has over time reacted favorably to the reorganization.

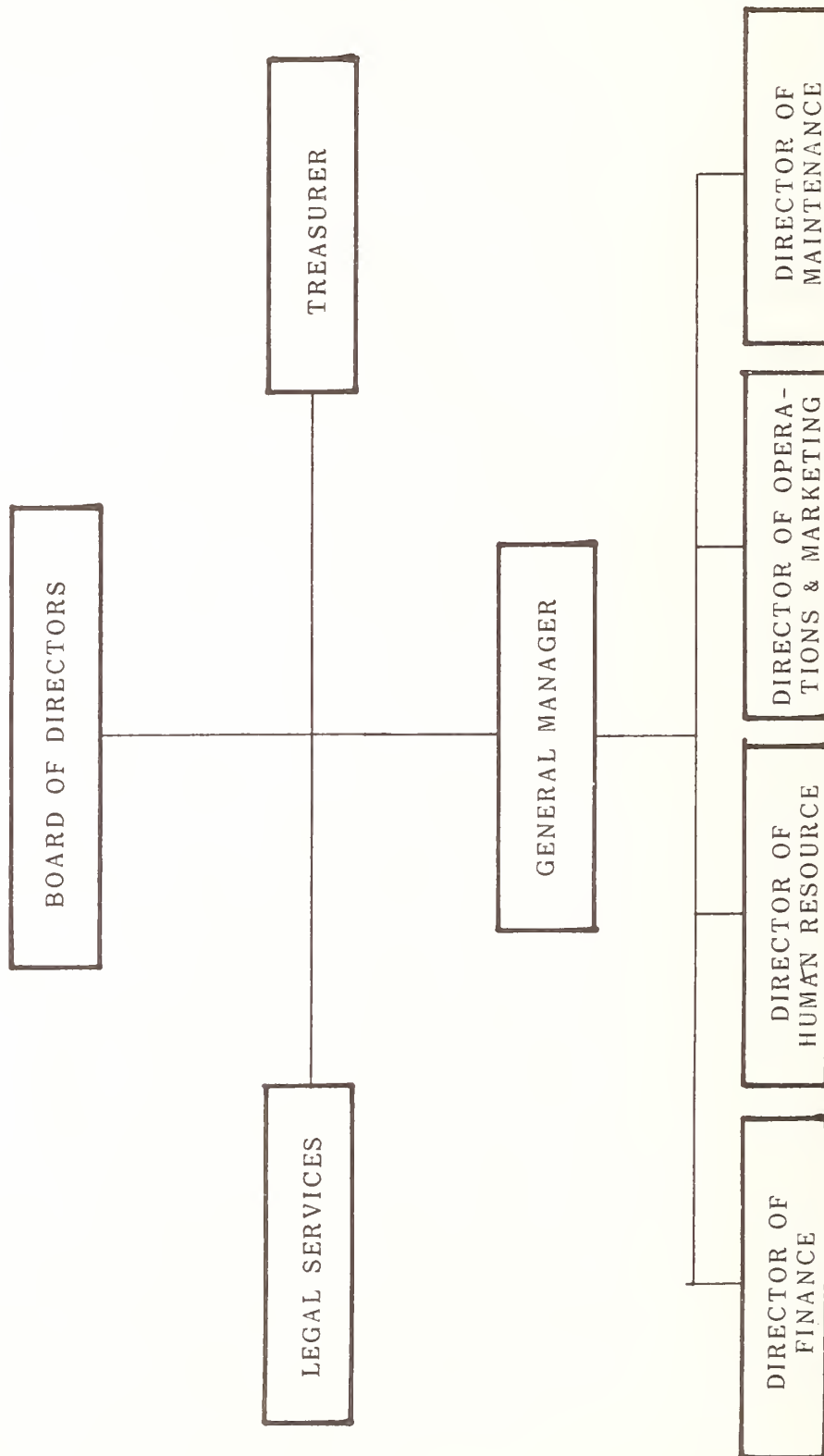
Strategic Planning at Utah Transit Authority

Utah Transit Authority (UTA) serves the Cities of Provo and Orem and the Counties of Salt Lake, Davis, and Weber. UTA employs approximately 850 people and operates a transit system of 391 buses, coordinates a carpooling program, and works with various social service agencies to provide transportation to the elderly and handicapped. UTA is planning to construct and operate a light rail system in the Salt Lake City area in the future. UTA has a Board of Directors that consists of lay people appointed by the county commissioners in the service area and approved by the council of governments. The Board selects the General Manager under whom operate four divisions: Finance, Human Resources, Operations and Marketing, and Maintenance (Exhibit 4.12).

UTA was one of the first few transit properties to try comprehensive strategic planning. The UMTA regional administrator in the early 1980s was instrumental in guiding UTA toward strategic planning because of the expected reduction of federal funds for local transit operations. The Board Chairman was already familiar with strategic planning and the General Manager had been utilizing management by objectives. After the issuance of a request for proposal and the evaluation of the respondents, Deloitte, Haskins, & Sells was chosen as the developer and facilitator of the strategic planning process. The consultant "orchestrated and documented the process." A professor

UTAH TRANSIT

EXHIBIT 4.12



at the University of Utah also provided some guidance during the formulation of the process.

The General Manager was described as a catalyst in conducting strategic planning, as a strong believer in goals and objectives and in a more activist role in the transportation problems of the community. In past years UTA experienced significant ridership increases, particularly during peak periods, but there was a concern over finances and an organizational uncertainty of how to proceed in the future. The Board and the General Manager wanted the organization to broaden its involvement with the issues of mobility and land use in the area.

The first strategic plan was completed in December 1984. The Board and the Management Team, consisting of the General Manager and division directors, refined UTA's previous mission from that of a provider of cost-effective transit services to that of an organization in the business of meeting public mobility needs in a fiscally prudent manner. The plan contained an environmental assessment, a discussion of future scenarios, goals and objectives, and strategies and programs. The Board was concerned over the extensive list of projects and programs in the 1984 plan and did not want to equate acceptance of the strategic plan with a budgetary commitment.

UTA revised somewhat the mission statement, goals and objectives in October 1987. The strategies have remained the same as in the 1984 plan and the projects and programs are

developed in the program budgeting process. While firmly committed to the strategic planning process, the General Manager has delegated extensively the responsibility to implement the strategic plan.

The Management Team first organized the strategic planning effort in 1984. It designated a strategic planning coordinator within the Operations and Marketing Division to coordinate planning tasks and write reports. The Management Team interacted often with the Board. The Board was intimately involved in defining the mission statement and in periodically reviewing the goals and objectives. The initial approach to the process can be described as being predominantly "top down."

In October 1987 all of the managers, including the third level down, and some staff attended an off-site retreat to review the goals and objectives. The mission, goals, and objectives were modified. The strategic planning effort has evolved into more of a "bottom-up" approach. The Management Team believed that this approach would be more effective for subsequent iterations of the planning process and more appropriate as experience with and knowledge of the process increase. They hoped that it would improve communication and involve middle-level management in proposing actions and in making decisions.

Private transport providers were not involved in the planning process. The Salt Lake metropolitan planning organization (MPO) was the only other public sector organization involved. It provided much of the information for the

environmental analyses.

The division directors that were interviewed described the communication of the mission and of the strategic planning process as adequate. The need for the 1984 Strategic Plan was not communicated throughout the organization but the process and the results have been. Directors briefed their staffs on the process, but some staff members wanted to participate in it. Middle-level managers were not involved in developing the 1984 plan but were involved in the 1987 update. Task forces, except for the Management Team, were not used during the process, but have been used to develop projects for the implementation of the plan. Over a two year period all personnel were exposed to the mission, goals, and objectives of the organization as part of the administrative, maintenance, and operator certification (training and orientation) program.

The directors perceived the resources for the planning effort to have been sufficient. The 1984 plan required two years of research and organization. The development of the plan itself took one year with six months of intense effort. The entire effort took more time than was originally budgeted, but it has been perceived as necessary and beneficial.

The consultant conducted the analysis of the environment using UTA and MPO input. While the external environment was analyzed at various scales, UTA did not conduct a thorough internal analysis. There was some fear that the consultant's internal analysis would have emphasized finance and efficiency

but not human resources. The Management Team through a series of working sessions coordinated by the consultant determined strengths, weaknesses, opportunities, and threats. The consultant synthesized the information and documented the analysis.

The major internal trends in the 1984 Strategic Plan are the following:

1. Since formation of UTA in 1970, the service area has increased from a portion of Salt Lake County to the present urbanized area along the Wassatch Front. Since 1975, UTA has been supported by a 1/4 percent sales tax in three counties. The Cities of Provo and Orem also support the system with a sales tax.
2. Ridership from 1974 to 1980 grew dramatically. As a result of financial difficulties in the early 1980s, service was cut and fares were raised. The system covered only 20 per cent of its operating costs through the farebox. In 1982 and 1983 ridership decreased.
3. While the operating budget of UTA steadily increased in the early 1980s, the federal share of those budgets declined slightly.
4. During the same period, UTA improved its image as a capable and efficient organization through increased service reliability and schedule adherence.
5. The UTA fare structure was perceived by management as too complex with various zone, peak and off-peak, student and elderly

fares and passes.

6. UTA has focussed on improving its organizational, network, operational, and individual efficiency.

7. UTA's capital plant, particularly its maintenance facilities, has been extensively modernized.

The major external trends in the 1984 Strategic Plan are the following:

1. The population in the service area experienced a rapid increase between 1970 and 1982. The population growth is expected to increase in the future but primarily along the urban fringe, thus, leading to a more decentralized development pattern.

2. Economic growth in manufacturing and services is also expected to follow a more decentralized pattern.

3. Because of increased automobile efficiency, fuel prices will not be a major factor in travel behavior during the 1980s. By the 1990s higher fuel costs may be a factor, since significant improvements in fuel efficiency are unlikely.

4. Traffic congestion is expected to continue on the freeway and arterial road network. No significant additions to this network are anticipated during the time frame of the Strategic Plan (1984 to 1990).

5. Salt Lake City is not in compliance with the federal clean air guidelines.

6. The number of transit dependent individuals will change but the impact on UTA is uncertain.

All of these trends were incorporated into an impacts evaluation and a listing of opportunities and threats at UTA. The opportunities and threats provided a set of assumptions about the future demands on UTA services. Some of the stated opportunities and threats are as follows:

1. Continued growth of the commercial core of the CBD will improve ridership along major commuting routes.
2. Suburban development will generate increasing demands for service from areas where fixed-route service is less efficient and more costly.
3. The slow, steady increase in fuel costs will result in continued development of fuel efficient automobiles and increase operating costs for UTA.
4. Labor costs will continue to be the largest component of operating costs borne by UTA.
5. UTA can continue to leverage federal dollars with local dollars for capital equipment, but federal support for operations appear constrained. UTA must continue to seek additional local funding.

The opportunities and threats and assumptions about the future provided a basis for development of alternative future scenarios. The scenarios consisted of specific mixes of market, funding, cost, and attitudinal/political conditions. Each of the scenarios had key implications for strategy development. The scenarios and some of their implications are as follows:

1. Baseline: With continued CBD and suburban development there

will be increased demands for transit service. These demands will be difficult to meet given the current service delivery structure and resources. The strategies concentrate on incremental adjustments and readjustments in service and resources.

2. No expansion/business orientation: A more dispersed and mixed-use development and aggressive elimination of operating assistance by the federal government are assumed. The conditions create an environment unfavorable to traditional transit service. The strategies concentrate on a more aggressive restructuring of service delivery.

3. Moderate expansion/business orientation: Conditions favorable to transit environment are assumed. UTA would aggressively pursue new approaches even though it would be easy to continue business as usual.

4. High expansion/service orientation: The conditions assumed in this scenario are most favorable to a conventional transit service. UTA would aggressively seek an increased voice in setting land use policy and in shaping transit demand. High capacity line-haul strategies would go hand in hand with a good measure of community support of a larger UTA role.

5. Negative expansion/mixed orientation: The conditions assumed in this scenario create an environment almost hostile to conventional transit service. The retrenchment strategy of focussing solely on the transit dependent implies a survival posture.

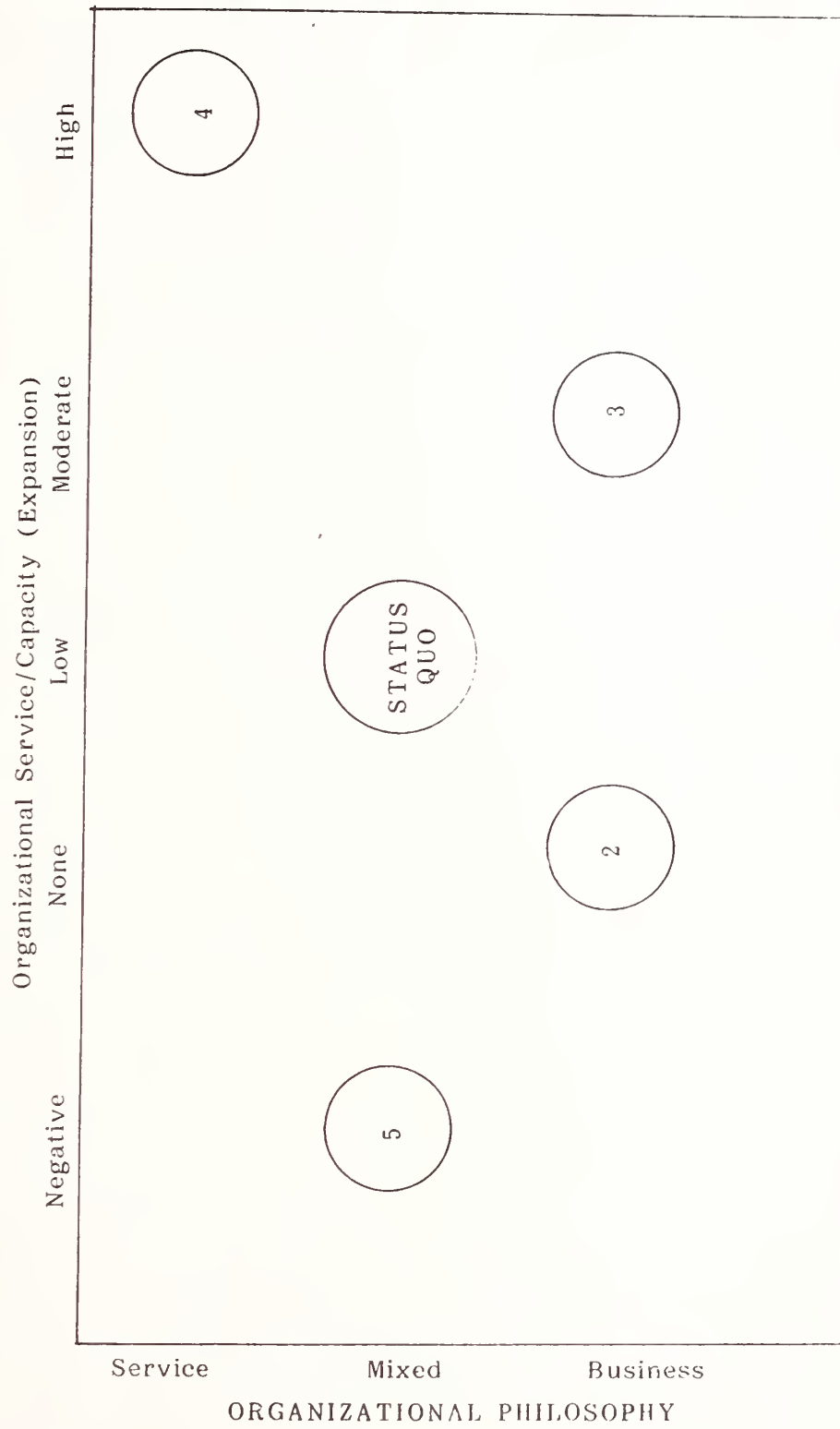
The Management Team constructed the alternative future scenarios using a matrix with the vertical axis representing organizational philosophy, i.e., a continuum between operating as a public service and as a business (Exhibit 4.13). The horizontal axis represents organizational service/capacity, i.e., the opportunity for the system to grow. The "status quo" scenario reflected UTA's existing environmental conditions. The alternative scenarios provided a basis for periodic review and revision of goals and objectives.

The mission of UTA was first expressed in the 1984 Strategic Plan and revised slightly in October 1987. The revised mission statement is as follows: "The mission of the Utah Transit Authority is to provide mobility as a public service to an increasingly diverse, dynamic, and growing community, while maintaining responsible management of its resources." The initial statement continues with recognition of the role of the individual in providing and improving service and with the stated policies of the Board.

The goals were also revised somewhat and they are as follows: (1) to maintain and improve customer and public satisfaction by providing a safe, clean, reliable, and courteous transportation service, (2) to operate UTA in a cost-effective manner, (3) to operate UTA in a fiscally responsible manner, (4) to increase UTA's ridership in a growing travel market, (5) to fulfill community and social obligations by supporting civic activities and by providing mobility, employment, and business

Utah Transit Orientation Matrix

EXHIBIT 4.13



opportunities for the disadvantaged citizens of the service area, (6) to gain commitment, action, and results from every employee to improve quality of service. Each goal has two primary objectives and from five to nine supporting objectives. The objectives are generally stated in quantitatively measurable terms. The primary and supporting objectives for the first goal are as follows:

Primary Objectives

1. Increase the percentage of the public whose overall impression of UTA is "fair to excellent " to 75% by 1988 and 77% by 1990.
2. Maintain the annual average customer complaints at or below the 1986 level of 1.26 per 10,000 miles.

Supporting Objectives

1. Maintain service reliability above 5000 miles between road calls.
2. Maintain parts availability in the 93% to 95% range at an acceptable inventory level with a turnover rate of three times annually.
3. Ensure that at least 98% of a.m. pull-out buses leaving for service are clean.
4. Maintain time reliability to 0 \pm 5% minutes at 90%.
5. Bring all maintenance and operating facilities up to UTA standards as documented in the Vehicle Control Plan.
6. Reduce the number of avoidable accidents to no more than 2.5 per 100,000 miles.
7. Develop a program to differentiate between "user" and

"nonuser" complaints. This will enable UTA to hold the annual average "user" complaints per 10,000 riders relating to drivers and customer service employees at a comparative level and will allow annual comparisons of "nonuser" complaints per 10,000 miles.

8. Maintain all passenger amenities such as shelters, benches and signs at acceptable community standards.

Prior to the 1984 Strategic Plan, the mission of the organization had been to provide safe, clean, efficient public transit service in the most cost-effective manner possible. Management's view of UTA's position on a continuum between business-like and public service operation was uncertain, however. The current mission statement affirms UTA's role as a transportation organization rather than exclusively a mass transit organization. The analysis of the environment preceded the development of the mission statement and resulted in defining "mobility" as the organization's "product," provided through "responsible management of resources."

The MPO proposed goals and objectives based on surveys of people's perceptions of UTA. The Board and the Management Team refined the goals and objectives. The goals of UTA provide balanced support to the current mission. Two goals are market oriented, two are finance and effectiveness oriented, one is public service oriented and one is human resources oriented. Clearly, an orientation toward traditional organizational values has been changed to one of market activism and prudent management

of all resources. UTA's management has instituted a more business-like operation with the concurrence of the Board.

The Management Team developed several working and position papers with the consultant's assistance to arrive at the organizational strategies. The papers defined UTA's orientation toward business-like operation and public service and the development of strategies. The strategies and programs flowed from the stated goals and objectives. The strategies indicated both a sense of direction and comprehensive courses of action designed to optimize support of adopted policies. The three key strategies recommended for support of the mission statement are as follows:

1. Service development strategy-the UTA will take an aggressive market-oriented approach toward the design and delivery of service. This approach will involve recognition of emerging market segments, understanding demand elasticities, providing innovative ways of fare payment, and designing efficient low-cost services.
2. Fiscal Strategy-the UTA will strive to recover the costs of services provided to the maximum extent feasible. UTA will also seek new and stable sources of revenue where such resources can be employed.
3. Human Resources Strategy-UTA will strive for the support of each employee to accomplish the organization's mission.

The Management Team developed programs to meet the objectives, but no specific criteria were used to select them.

The programs to carry out the service development strategy consisted of product development, marketing, advance planning and capital improvement, and service optimization. A financing program was established to carry out the financing strategy. Three programs were established to carry out the human resources strategy: organization development, internal communications, and human resources development. Each program contained several projects which are related to attainment of the programs. Accomplishment of the projects often involved an interdepartmental team (task force) headed by a director. There has been no major reorganization as a result of strategic planning, but a marketing department was established to carry out the marketing programs.

In the 1984 Strategic Plan the listing of programs and projects composed an implementation plan. This listing has been dropped in the 1987 update, because of concern over budget implications. The implementation plan was not directly linked to the budget process, but there was concern among Board members that approval of the strategic plan might constitute "carte blanche" funding of all programs. There is still no direct tie between the strategic plan and budgeting but it influences the thinking and priorities during the budgeting cycle.

Strategic planning and implementation objectives are tied to the compensation of management and staff. The General Manager is evaluated on his meeting strategic planning objectives. The directors are evaluated for their performance in strategic

planning and project implementation. Subordinate staff have project implementation objectives.

The Operations and Marketing Division has responsibilities for monitoring the implementation of the strategies and program results. The level of monitoring has been described as "weak" because it has not been pushed by the Management Team. The team does discuss progress during the annual updates and managers are evaluated on their performance in fulfilling implementation objectives. Recently the Finance Division was given the task to develop a quarterly monitoring system of organization performance using a list of performance measures. The consultant had recommended a formal monitoring program during the initial strategic planning effort, but the organization was "too tired by then" to develop it. UTA did not allocate the resources for monitoring at the time. There will likely be an update of the environmental analysis in the near future, but there is no specific plan and no monitoring procedure to accomplish it.

The General Manager stated that the strategic plan has provided a sense of direction or purpose, "a map for the future," and a focus or benchmark for Board policy and organizational programs. Strategic planning has led to a more aggressive pursuit of public/private partnerships for the purchase of rolling stock and for the operation of new and specialized services. He also believed that strategic planning among small transit properties is not an overwhelming task and is merely dependent on priority and commitment. Strategic planning does

not need to result in a strategic planning document but should at the very least result in documentation of strategic thinking.

According to one director, strategic planning at UTA has been an excellent communication tool. Investment in people has been built into the process because of the heavy involvement of the Human Resources Division. The strategic plan has been a model on which the division has based its mission statement and responsibilities. According to the same director, one major weakness associated with strategic planning is that it has placed some constraints on innovative ideas which are not covered in the plan. Also, the Management Team did not place the emphasis on implementation and monitoring that it should have.

Conclusion

It is apparent from the cases that there are many different ways to accomplish a strategic plan or to develop strategies. Exhibit 4.14 provides a summary listing of the approaches used by the cases.

It is difficult to discern from the case studies the full impacts of strategic planning by the selected transit properties. Strategic planning has long-term impacts and the transit properties have had relatively little experience with it. It is worthwhile to review the benefits as perceived by the interviewees.

The management of AC Transit has agreed that strategic planning should guide the organization, even if recent management problems have precluded implementation.

EXHIBIT 4.14
SUMMARY MATRIX OF CASES' STRATEGIC PLANNING

STRATEGIC PLANNING VARIABLES	TRANSIT PROPERTY				
	AC Transit	NJ Transit	PA Transit	Seattle Metro Transit	Utah Transit
1. Planning document prepared	Yes	No	Yes	Yes	Yes
2. Management support and involvement	Weak	Moderate	Strong	Strong	Strong
3. Role of board in strategic planning	Active	Passive	Active	Passive	Active
4. Planning staff involved	Yes	Yes	Yes	Yes	Yes
5. Sufficient time	Yes	No	No	No	No
6. Sufficient financial resources	No	Yes	Yes	Yes	Yes
7. Reorganization before or after strategic planning	After	None	Before	Before	After
8. Sufficient communication	No	No	No	No	No
9. Task forces (staff) used in planning	No	No	No	No	No
10. Form of public sector participation	Advisory Committee	None	Citizens Advisory Group	Expert Panel	Planning Organization
11. Form of private sector participation	Consultant	Consultant	Consultant	Consultant	Consultant
12. Initial environmental scan conducted	Yes	No	No	Yes	No
13. Assessment of opportunities & threats	Yes	Yes	Yes	No	Yes
14. Assessment of strengths and some weaknesses	Yes	Yes	Yes	No	Yes
15. Scenario development	Yes	Yes	No	Yes	Yes
16. Mission and goals established	Yes	Yes	Yes	Yes	Yes
17. Measurable objectives established	No	No	No	No	Yes
18. Measures to evaluate new strategies	No	No	No	No	No
19. Formal link between programs & budgets	No	No	Yes	No	No
20. Management objectives to implement strategies	No	No	Yes	Yes	Yes
21. Progress reporting system established	Yes	No	Yes	Yes	Yes
22. Monitoring of environment	No	No	Yes	Yes	No

At New Jersey Transit the principal benefit of the strategic planning process is that a comprehensive framework for developing the mission and for assessing the environment, history, services, stakeholders, finance, and investment has been incorporated into the organization as a way of thinking and managing.

At Port Authority of Allegheny County Transit strategic planning has been a beneficial process which has allowed management to take greater control of PAT's direction and progress. The decision-making for the programming and budgeting processes is now more strategic and long-term. The plan itself is an excellent communicator of the organization's sense of purpose-its goals and objectives-among its own personnel, other agencies, and the public-at-large.

At Seattle Metro Transit the benefits of the market driven approach and strategy development are that Metro Transit is better able to serve changing markets and to evaluate and improve existing services. The organization is more transportation systems oriented. The market driven approach has fostered strategic thinking and, as a result, Metro Transit has embraced experimentation and risk-taking.

At Utah Transit strategic planning has provided a sense of direction and purpose. The plan has been an excellent communication tool both within and without the organization. Strategic planning was not an overwhelming task for a relatively small transit property.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Findings/Conclusions

Strategic planning is a management tool used to analyze fundamental issues and changes and to aid managers in effecting organizational response to change. Strategic planning differs from other forms of long-range planning because of its emphasis on environmental change, plan implementation, and monitoring of results. It has been implemented and refined by most major private corporations. The private sector has utilized strategic planning as a means for understanding and responding to turbulent, competitive environments. Private sector goals are profit oriented and market factors are clearly important.

The public sector is also subject to changing environments and to increasing public pressure and scrutiny. Some public sector organizations have implemented strategic planning, but public sector goals can be ambiguous and the setting of goals may supercede the development of strategies. The operating environment consists not only of clients but of political, economic, and legal considerations. Research has shown that in both the private and public sectors strategic planning has been beneficial.

There are several reasons why transit properties should plan strategically. Urban areas are restructuring and decentralizing, resulting in dispersed industrial, commercial and residential land uses, as well as trip making. Revenues on public mass

transit systems are covering a small portion of operating costs and virtually none of the capital cost. Regulation of and assistance to mass transit have led to major inefficiencies and high subsidies. Operating costs continue to increase while innovation has stagnated. Mass transit systems are facing increasing competition from the automobile and private sector transit providers. At the same time transit marketing has not addressed the tastes and preferences of the public.

Various studies of the transit industry have recommended new strategies for the future and the use of strategic planning to achieve desired changes. Several transit properties have attempted strategic planning. This guide contains case studies of five transit properties: Alameda/Contra Costa County Transit, Seattle METRO Transit, Port Authority of Allegheny County Transit, New Jersey Transit, and Utah Transit.

It is apparent from the cases that there are many different ways that strategic planning can be accomplished. The operational details and the level of formality in terms of organization, analysis, and documentation certainly vary among transit properties. A strategic planning process should focus on key issues, establish a dialogue, and develop strategies rather than adhere to a specific methodological approach. It should be flexible, iterative, and continuous. However, there should be a framework to the process, an orderly procedure of commonly accepted elements or steps. This chapter of the guide contains fundamental conclusions and makes broad recommendations to

establishing a framework for strategic planning.

The first fundamental conclusion that was derived from this project was that upper management, particularly the general manager, must make an early and serious commitment of time and resources to the strategic planning effort. Management must organize and actively participate in the process to lend it the credibility and the direction that only management can give.

One of the first decisions that management must make is about the appropriate scope of the strategic planning effort. The scope should be a function of the organization's size, resources, problems, and environment. In organizing a strategic planning effort the financial and human resources as well as the time must be available. If the resources and time are constrained, then the scope of the effort should reflect the constraints. Among four of the cases a common response was that the resources were sufficient, but the time spent on the process was greater than originally planned.

It should be understood that strategic planning is not a panacea for management problems in an organization. Strategic planning will not succeed, if management can not or will not lead. It is, after all, management's vision which must drive the planning process. In three of the cases upper management was totally committed to and actively participated in strategic planning, which subsequently made implementation of strategies easier. In two cases where management commitment was more casual, the implementation was restrained and tentative. These

two cases also did not develop management objectives for strategy implementation.

The role of the board of directors in strategic planning varied among the cases. The boards of three cases oversaw and periodically reviewed the processes. The other boards were merely informed of the effort and of the expected results. Clearly, the board and management need to be in harmony, if the strategic plan is to provide direction to the organization. Other stakeholders or persons with interests in strategic planning must also be involved or at least informed of the progress and the outcome. Four of the cases involved other officials in government or members of the public in an advisory committee to provide input.

Communication is an important component in the organization of a strategic planning effort. Among all of the cases it was apparent that communication could have been improved. One case study interviewee observed that information is power and is rarely shared. Yet, communication of the need for strategic planning, the process of strategic planning, and the impacts of strategic planning is necessary for organizational acceptance. One strategic planning consultant has said that if not all players are in the game, several games will be played.

One way to improve communication is to involve as many people as practicable on task forces. Task forces can be used to analyze the environment, develop strategies, and implement programs. The cases did not use task forces other than upper

management teams for analysis and strategy development. They all relied on planning staffs to attend to operational details. Since strategic planning was new to all the cases, there was a tendency for each to rely primarily on a management team with the understanding that the approach would become more participatory, if the initial attempt was successful.

All of the cases limited the involvement of the private sector to use of consultants for facilitating strategic planning. Two of the cases established private sector advisory groups after plans were completed. While establishment of advisory groups consisting of private sector transit providers is a good idea, it is perhaps best to involve them in the planning process itself. Transit properties should look beyond their own resources, but evaluations of potential private sector resources require private sector input. Even in situations where private sector providers are significant competitors, coordination should take place so that services and routes are complementary and that the most efficient provider does indeed provide the service. Since private sector transit under contract can in many cases reduce transit property operating costs and increase overall transit service, it would be beneficial to include the private sector's view of the future and its likely participation in it.

Personnel objectives, appraisals, and compensation should be directly related to the conduct of strategic planning. Evaluation of personnel should be based on their performance in achieving strategic planning objectives. Personnel should have

sufficient time to meet objectives and have the monetary incentive to accomplish them well. All of the cases incorporated some strategic planning tasks into the objectives of personnel on the planning staff. Some managers in three of the cases had objectives for strategy development and/or implementation. All of the cases had intentions of adding strategic planning objectives to more management and staff personnel in the future.

A strategic plan can often require organizational changes to carry out the strategies. In two of the cases organizational change occurred prior to strategic planning, in two cases after planning, and in one case not at all. The cases that reorganized did so to improve marketing and/or budgeting procedures. One should not conclude that reorganization is required in all cases either before or after strategic planning. However, it appears that new directions and ways of delivering service will often require some reorganization. Management can motivate organizational change by identifying the need for change, building in broad participation, rewarding desired behavior, and providing time to disengage from the present organization.

While the other steps to strategic planning are basically intellectual exercises, implementation is operational and involves managing many tasks, coordinating programs, and motivating individuals. When their representatives were interviewed, all of the five cases were at the point of organizing their implementation phases after having planned strategically. However, the organizational link between

strategic planning and the implementation of strategies was somewhat weak. There was not a direct tie between strategic planning and program budgeting. Since implementation is complex, it should be planned and organized at an early stage of the process instead of waiting until the end. Since implementation is a key to successful strategic planning, it should not be treated as an afterthought or as something that can be postponed.

At this point it is worth repeating Lorange's pitfalls to designing and operating a strategic planning process:

1. Failure to develop throughout the organization an understanding of what strategic planning really is.
2. Failure to encourage managers to do effective strategic planning by basing performance appraisal and compensation on short range performance measures.
3. Failure to design the strategic planning system to the unique characteristics of the organization; failure to modify the system when conditions change.
4. Failure of top management to spend sufficient time on strategic planning processes.
5. Failure to keep the planning system simple.
6. Failure to link the major elements of strategic planning and the implementation process.

The second major conclusion is that formulation and refinement of mission, goals, and objectives should be based on a careful analysis/situation audit of the environment. Third, management should decide what is the appropriate depth and level

of detail in the audit and must understand what is of consequence in the environment.

The situation audit provides the basis for the appropriate mission and the development of strategies. It is indeed a vehicle for discussing and debating environmental changes, for achieving consensus on the changes, and for creative thinking. In order to achieve a proper balance in the mission between market orientation and organizational values, the establishment of the mission should be based on a preceding or concurrent situation audit. Four of the cases did conduct the environmental analyses prior to or in concert with the establishment of mission, goals, and objectives.

The situation audit should focus on a geographic area larger than the service area of a transit property because of development's disregard for political boundaries. Threats and opportunities may indeed lie outside the present service area. A strategy that may be utilized in some circumstances is to adjust the service area boundaries. Two cases analyzed the environment of areas larger than their present service areas.

It appeared that all the cases did a thorough job of analyzing the external economic, political, developmental, and demographic trends, those factors which are generally not controllable. Four of the cases formally identified their strengths, opportunities, and threats.

The critical areas of internal analysis are finances, programs, management, facilities, human resources, technology,

and marketing. The internal analysis factors, particularly the weaknesses, were not extensively analyzed or at least were not extensively addressed in the planning documents. One interviewee speculated that perhaps in all of the cases there was a fear of pointing out the internal weaknesses of the organization. While this tendency is understandable in a public, somewhat political document, it is crucial that management and certain other stakeholders be aware of the weaknesses of the organization. Only then can management develop the appropriate strategies to address them.

Three of the cases relied on a technical advisory committee or committee of interested citizens to provide input into the analyses of the internal and external environments. This idea is one that should be seriously considered by any transit property. Outside "experts" may be more knowledgeable about sources of information and more attuned to the environmental trends and the implications of those trends on transit. Transit managers may be so involved in operational decisions and crisis management that they "do not see the forest for the trees."

Forecasting the future is often thought to be an indispensable part of strategic planning. It is more important to build into the organization the flexibility to adjust to change than to forecast the future. Since environments are so complex and changing, precise forecasting beyond a few months is often impractical. Four of the cases did develop alternative scenarios of the future and then selected the most likely one.

Such an exercise is appropriate, especially as a prelude to contingency planning. Certainly, management should place its emphasis on establishing effective monitoring of the environment, so that the "faint signals" or subtle changes in the environment are detected early.

A portfolio approach to a situation audit has been used with apparent satisfaction by one of the cases. It is a program by program evaluation of market position in relation to competitors. Although not a difficult exercise, it is probably not necessary for a transit property with a single mode, serving a small market containing few competitors. In a large, complex public transportation market with many competitors, it is certainly an appropriate exercise to segment the market by program. A portfolio approach should show an agency which programs to expand, modify, or discontinue based on cost effectiveness. It should be remembered that in the public sector legal requirements and organizational values also influence the viability of programs. Thus, a portfolio approach should help a property to determine, for example, the consequences of maintaining market position in a declining market with a program that is not cost-effective but is mandated by organizational values.

The fourth conclusion is that the establishment of mission, goals, and objectives should emphasize a marketing perspective. Fifth, The objectives should be stated in quantitatively measurable terms.

The mission statement should always reflect the needs and

demands of the customers and the conditions in the service area. An organization's mission generally represents a mix of orientations toward market position and toward traditional organizational values. Public mass transit systems have tended to oversimplify their markets, neglect their customers' tastes and preferences, and provide a narrow range of transit products, because technological and operational values have dominated.

Through strategic planning all the cases have established a new organizational emphasis on marketing, often down-playing the traditional mass transit products in their mission statements. By not stating the mission in narrow product terms, agencies can broaden their strategies to deal with changing markets and customer demands. An emphasis on marketing should not mean that legal, political, and administrative requirements on service are ignored, but such requirements can change and an organization's strategies should rightfully address those requirements which constrain the mission.

Without a marketing perspective in the mission, goals, and objectives, there is a lack of direction in the provision of service and a weak basis for strategies, even strategies that deal with financial difficulties. Market objectives stressing increased ridership must of course be subject to financial and other resource constraints. Strategies presumably would be developed to utilize resources efficiently in meeting the objectives. In addition the financial and other resource constraints could be loosened through goals, objectives, and

strategies to increase the resources. If financial difficulties are allowed to preclude a marketing perspective, then it becomes difficult to determine in which market segments services should be cut or modified, while still fulfilling the mission.

The cases expressed their missions, goals, and objectives similarly and in broad, rather general terms. Only one case had explicit, quantitative targets stated in the objectives. It is important for the monitoring step in strategic planning to have measurable objectives, so that the effectiveness of strategies (programs) can be measured.

Sixth, the marketing perspective should continue through the strategy development process.

Transit properties should develop strategies that establish advantageous market niches that are compatible with organizational values. The five cases developed strategies generally to face situations of declining or stabilizing ridership along with declining financial support. The strategies that were developed generally emphasized increasing ridership in a cost-effective manner with efficient utilization of resources. Strategies and programs were developed to provide various new mass transit technologies, to enhance computerization of operations, to increase financial support, to increase market research, to contract with private providers of transit, to increase paratransit services, to establish more control over land use decisions in service areas, and to imbue the organization with a sense of mission and service to the public.

None of the cases used any formal method of strategy development other than brainstorming based on judgement and intuition. All of the cases used management retreats (off-site meetings) or workshops to review the environmental analyses and to brainstorm over new strategies without interruption from day to day operations. In one case the planning staff developed strategies for review and approval by management. This method may be just as effective, if management closely reviews the new strategies.

The cases did not conduct any formal, systematic evaluation of the strategies based on defined criteria. Generally, management developed strategies that were in their judgement practical and appropriate. One would think that evaluation of strategies based on some criteria would be beneficial, since it may document the practicality of implementation. Strategies should be evaluated in terms of cost, personnel requirements, time frame, impact on other agencies and organizations, and legal implications.

Seventh, there should be strong links between strategy implementation, program planning, and the budget cycle (implementation plan), so that strategies receive the resources needed for implementation. Successful strategy implementation requires "strategy champions" who have responsibilities, objectives, and incentives to implement.

Implementation is one of the fundamental steps that sets strategic planning apart from other forms of planning. The most

universally used means for implementation of strategies is the annual budget. Clearly, the planning of strategic programs must take into account the resources needed and available to carry out programs. The cases generally attempted strategy implementation by development of programs in the program planning process. Four of the cases had not yet developed a strong link between the program planning and budgeting processes and acknowledged this weak link as a major limitation of their strategic planning effort. The end of program development often did not coincide with the beginning of the budget cycle. The budgeting of programs often depended more heavily on political realities and crises of the moment rather than on long-term strategy. Among all of the cases strategic planning was thought to instill strategic thinking, at least informally, into the program budgeting process.

Since their initial strategic plan, two cases have separated program planning and budgeting from the strategic planning process. There was concern that the strategic plan would result in a wish list of programs with the implication that they must all be funded. This concern supports the recommendation that strategies and programs should be evaluated in terms of cost and other resource impacts prior to selection. Management would select only those strategies and programs for which the resources are likely to be sufficient.

Selecting the proper implementors, citing specific tasks and responsibilities, and instituting the proper rewards are also

crucial in implementing strategies. In three of the cases some management and staff had implementation objectives and, subsequently, were evaluated on their performance. Programs were usually assigned to the staff unit with obvious responsibility in a certain area. Two cases used interdepartmental teams to implement some programs that involved the responsibilities of several departments. Two cases did not select lead persons or "strategy champions" with objectives to implement strategic programs; implementation has suffered at these cases as a result. A "strategy champion" is merely an individual who perhaps thought up a strategy and is therefore committed to it. It is worthwhile to assign such an individual to a strategy with the responsibility to implement it.

Communication is again a key to successful strategy implementation. Identifying the need for change, overcoming resistance to change, and enhancing participation in organizational change can only be accomplished, if communication is sufficient.

Eighth, during organization of the planning process, a planning staff should be made responsible for monitoring the progress of programs and agency performance in meeting strategic objectives. Indicators should be developed which can be used to measure the efficiency and effectiveness of transit services. Planning staff should plan to periodically monitor environmental change.

A fundamental feature of strategic planning is its iterative

or dynamic nature. If reporting of progress or measurement of agency performance indicates the need for corrective action, then management can implement new programs or modify programs to improve performance.

All of the cases were working on improving their monitoring process. Four of the cases had established or were establishing progress reporting systems to indicate levels of program implementation. These cases were also attempting to develop measures or indicators for use in monitoring transit performance. Some interviewees acknowledged that current measures were too nebulous to measure transit performance or were not related to strategic programs. If one can not accurately measure performance, then it becomes difficult to modify programs or implement new programs to improve it. One interviewee explained that his organization was "fatigued" from strategic planning, when it came time to work on monitoring and measurement of performance. Thus, this last step should be an area of emphasis early in the organization of the strategic planning process.

The environment should be monitored on a regular basis by a planning staff so that the management of an organization can decide when the strategic planning process should be renewed. Changes in the environment may necessitate new missions and strategies. If a group or procedure is not in place to monitor environmental change, then strategic planning may become static and subject to the limitations of traditional long-range planning. Only two of the cases had designated groups and

procedures to periodically monitor the environment.

Recommendations

Based on a careful review of the strategic planning/management literature and the cases of strategic planning in the transit industry, the study team recommends the following general framework (Exhibit 5.1):

Step 1. Organize a management team and strategic planning staff-Management should make a commitment of resources and time to develop a process and to participate in it; a planning staff, either formally or informally organized, is needed to assist management in developing a process, to gather information on the environment, to develop performance measures, and to monitor performance and the environment.

Step 2. Conduct an environmental assessment/situation audit; determine strengths, weaknesses, opportunities, and threats-The planning staff gathers information on internal and external environmental trends; input from a technical advisory committee on significant trends and sources of information would be of benefit.

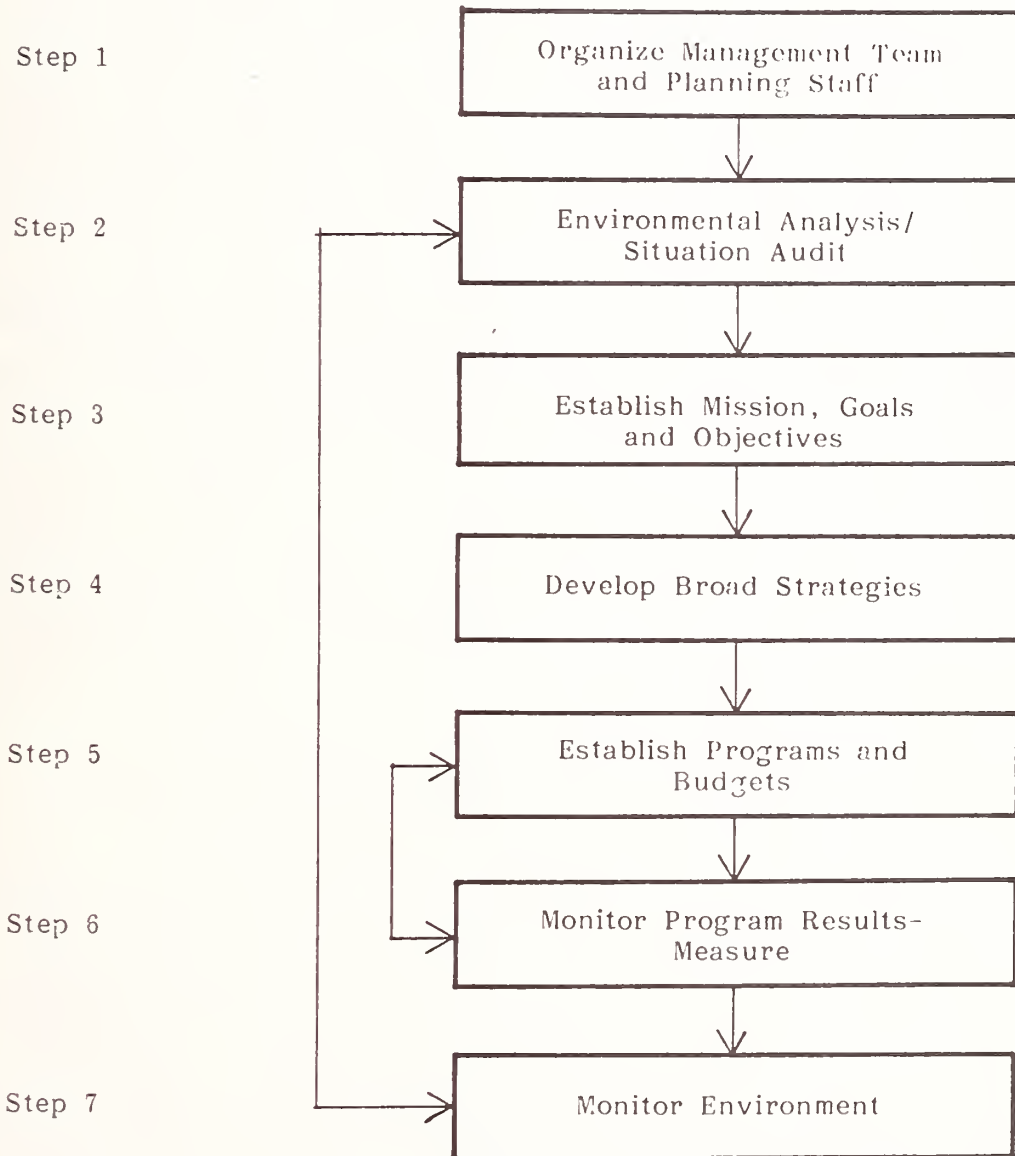
Step 3. Establish mission, goals, and objectives-Management team, using information from the situation audit, states the mission and establishes goals and measurable objectives.

Step 4. Develop broad strategies-Management team with staff input develops strategies that position the transit property to deal with the changing environment.

Step 5. Establish programs and budgets to implement broad

FRAMEWORK FOR STRATEGIC PLANNING PROCESS

EXHIBIT 5.1



strategies-Management team and staff conduct program planning; "strategy champions" are assigned responsibilities to manage programs.

Step 6. Monitor program results using appropriate measures-Planning staff uses measures to evaluate programs and provides results to management team. If program results do not meet objectives, management team modifies programs or returns to step 5.

Step 7. Monitor environment and conduct situation audit-Planning staff periodically scans the environment to denote latest trends; management team decides when to return to step 2.

APPENDIX A

Abstracts

Bates, D. L and Eldredge, David L. Strategy and Policy: Analysis, Formulation, and Implementation. Dubuque, IA: William C. Brown Publishers, 1984.

The objective of this book is to acquaint the reader with concepts and components of strategic planning. The book discusses the formation of integrated system models which incorporate personnel, production, marketing, and finance. It addresses the internal and external environments that influence organizational strategy formulation and implementation. It describes to the reader the organizational linkages of strategic planning among: The board of directors (BOD), chief executive officer, senior management, and the planning department.

The BOD establishes the organization's objectives, goals, policies, and the approval or disapproval of the major corporate actions. The CEO has responsibilities, among others, to analyze, formulate, and implement the organization's business strategy.

Senior management helps to relieve some of the CEO's functional burdens. The planning department provides staff assistance to the CEO; the book also describes the department as a coordinator and an integrator for the organization's strategic planning efforts. The book emphasizes the need for strategists, who have the conceptual skills that are necessary to determine the organization's future direction and the realization of immediate and long range objectives.

David, Fred R. Fundamentals of Strategic Management. Columbus, OH: Merril Publishing Company, 1986.

The book examines strategic management techniques and concepts. It combines the traditional planning concepts with state-of-the-art developments in strategic management, such as the Quantitative Strategic Planning Matrix (QSPM). The author discusses the significance of strategic management in small businesses, in non-profit and governmental organizations, and in international and multi-national corporate environs.

The areas of emphasis addressed by the book include: the corporate mission which discusses the nature, components, and the significance of a business mission statement. It addresses the environmental analysis; the internal assessment which focuses on the functional audit and inter-relationships that exist among management, marketing, finance research and development and production departments; and strategic analysis and choice, which emphasizes the importance of objectives and different stages of the strategic analytical framework.

The book concludes by emphasizing the implementation strategies of the functional areas of the organization: the

setting of goals, policies, and resources allocation. Other important topics of discussion are: the strategy evaluation processes, computer-assisted strategic planning, and a variety of business policy cases designed to enhance the decision-making abilities of managers.

Espy, Siri N. Handbook of Strategic Planning for Non-Profit Organizations. New York: Praeger Publishers, 1986.

This book discusses the importance of strategic planning to non-profit organizations, such as schools, churches, and museums, and analyzes the differences in strategic planning in non-profit and for-profit organizations. It recognizes that the collective labor of a group of people and increased cohesiveness and commitment of staff can determine the success of such planning. Among other things, the book separates reality from ideal planning. It stresses the importance of the flexibility in a changing environment and mentions the possible conflicts that may occur in reaching a consensus within an organization.

The book concludes by bringing the manager's attention to the implementation of the plan, the evaluation of the plans and performance and updating of the plan.

Fielding, Gordon J. Managing Public Transit Strategically. San Francisco: Jossey-Bass Inc., 1987.

Gordon J. Fielding provides constructive proposals for the operation and management of public transit agencies. The book outlines methods that will help professionals integrate planning and marketing studies, design better strategies for labor negotiations, assist managers to produce more efficient and effective service and confront today's transit problems head-on.

Mr. Fielding shows that thinking strategically is the key to running a major public enterprise in today's competitive environment and he provides constructive proposals for the operation and management of all public transit agencies irrespective of their size.

Presenting useful examples of transit practice from across the United States, Fielding offers advice on how strategic management can help transit systems set realistic goals, missions and objectives for their agencies; monitor current performance; and then analyze and use the results to enhance service.

Speaking concisely, he shows how thinking and managing strategically can help transit managers:

- A) successfully market transit service to increase ridership;
- B) efficiently allocate funds and cope with budget cuts;
- C) measure the cost-effectiveness of current service;
- D) schedule and implement more efficient service;
- E) improve labor/management relations, enhance employee motivation, and reduce labor costs.

Finally, examples and case studies from operating agencies are provided throughout the book.

King, William R. and Cleland, David I. Strategic Planning and Management Handbook. New York: Van Nostrand Reinhold Company, 1987.

This book on strategic planning and management was written by a group of contributing authors from several institutions. The book looks at strategic planning from the corporate stand point. It maintains that effective strategic management involves a combination of strategic planning and other important elements of effective management.

The book discusses the extent of political intervention in corporation affairs. It points out the impact of political-legal forces on corporation activities. To be able to deal with the political arena, corporations should not only have the knowledge of the structure of the arena but must develop strategy that can be used. The book also gives some insight into the large government bureaucratic structure, including the activities of insiders and outsiders, the committees and special interest groups, such as public relations experts and lawyers. The book discusses the government's iron triangle and how it operates. The iron triangle is a term used to refer to the legislative, executive, and judicial branches of government; the press; and special interest groups.

The book contains other topics which include information systems for strategic management, implementing strategy, environmental assessment, and strategic planning and management outputs. It also discusses the importance of forecasting the future in strategic planning and management.

Meyer, Michael D. "Strategic Planning in Response to Environmental Change." Transportation Quarterly, April 1983, pp 297-320.

The article examines the type of planning (now called strategic planning) that has been used in private organizations in the past but is increasingly being applied in public transportation agencies. It addresses the need for top management to be able to assess their agency's capabilities, in order to achieve future demands, capitalize on feasible opportunities, and to avoid potential threats. The article outlines a number of strategic planning examples in transportation agencies at the federal, state, and local government levels. Careful attention is given to the strategic planning outcome so as to furnish some guidance to transportation managers as to how strategic planning can be implemented. The article addresses case studies of strategic planning in the transportation agencies of New York, New Jersey, and Toronto.

Nutt, Paul C. and Backoff, Robert W. "A Strategic Management Process for Public and Third-Sector Organization." Journal of the American Planning Association, Winter 1987, pp 44-57.

The authors note two distinctions between strategic management in the private and in the public sectors, related to the goals and the operating environments. They lay out a process for strategic management tailored to the needs of organizations in public or third-sector settings. The process recognizes some of the paradoxes and problems involved in doing strategic management in those settings and provides opportunities to avoid them. The authors describe planning tools and techniques that are useful in carrying out the research, synthesis, and selection activities required by each stage of the process. As part of strategy evaluation, they emphasize the conduct of stakeholder analyses to identify the parties who can affect or are affected by strategies. Finally, they suggest ways to improve the result of strategic management and call for planners to take on multiple roles to support the process.

Olsen John B., Eadie Douglas C. The Game Plan: Governance with Foresight. Washington D.C.: Council of State Planning Agencies, 1982.

This book discusses strategic planning and its application on the state government level. It gives up-to-date information on strategic planning and introduces some possible limitations of such planning. The book is divided into three main parts in a systematic approach. It gives a survey of the theory and practice of strategic planning. This provides the reader with the central theme and principle variations.

The book also analyzes the movement of transition from the largely private sector oriented theory and experience in strategic planning to the different needs, requirements and circumstances of state government today. It surveys how successful business experience relates to contemporary management requirement in government.

The final part of the book provides some practical guidance to managers. It discusses the issues that are associated with the implementation alternatives and also gives the fundamentals of the implementation process.

Olsen Raymond T. and Day, H. Diana. "Strategic THinking for State and Local Government." Management Focus, Vol. 29,N.3, May-June, 1982, pp. 6-10.

The article enumerates five steps of the strategic thinking and planning process. Theses include: analysis of external environment; the review of the government's own strengths and weaknesses and its current strategy; definition of objectives;

developing policies and plans; putting strategic plans to work; and evaluation of results. The article focuses on the application of strategic thinking and on management techniques for state and local governments to more effectively respond to changing environments.

Sorkin, Donna L., Ferris, Nancy B., and Hudak, James. Strategies for Cities and Counties: A Strategic Planning Guide. Washington, D.C.: Public Technology, Inc., 1984.

This guide introduces the key concepts of strategic planning. Based on case studies the guide presents the principles and steps to strategic planning by municipal and county governments.

In order to conduct a strategic plan, one must organize to build consensus among public and private sectors. This public/private partnership is key to the plan's success. The partnership through a steering committee must be involved in all phases: analysis of internal and external environment, goal and mission statements, strategy development, internal and external analyses, and implementation. Public participation is a key element to acceptance and implementation and must be used for issues selection, goals development and internal/external analyses.

The external analysis must evaluate trends and resources of the area and are best handled by a task force. The external analysis should stress the following areas of change: regulatory and legislative, economic, social and political, technological and demographic. The external analysis should include forecasts that are both qualitative and quantitative. The external analysis is an assessment of strengths and weaknesses of the local institutions or services.

Development of strategies should involve "brain storming" by individuals familiar with the external/internal analyses. The steering committee must synthesize the generated strategies and select those that are most feasible, considering resource constraints. The selected strategies become action plans which must clearly state how they are to be implemented and by whom. The monitoring and updating is a major element in strategic planning. Continuing review and update keeps the procedure dynamic and responsive to change. Part of the monitoring process is to periodically scan the environment so that assumption can be changed. The guide includes study exhibits and appendices on forecasting techniques, data sources, selected bibliography and information resources.

Unterman, Israel and Davis, Richard H. Strategic Management for Not-for-Profit Organizations: From Survival to Success. New York: Praeger Publishers, 1984.

One of the objectives of this book is to point out the need for strategic planning of not-for-profit organization. Although there are many successful not-for-profit organizations, the book notes that the typical management from crisis to crisis has caused survival problems. The authors state that the application of private business techniques in not-for-profit management can remedy the situation.

The book calls for cost-effective, precise and short term strategic planning as opposed to expensive overwhelming, and permanent reorganization. It explains the authors' principle known as Unterman Amoeba Principle, which contends that with every reorganization effort to solve a problem a new problem will result. Planners should think carefully about this possible development.

The book discusses the possibilities and purposes of joint partnership ventures among the not-for-profit organizations, private businesses, and public agencies. It also discusses the benefits, stereotypes and communication barriers that separate these groups. The book addresses several topics such as fund raising, fund accounting, organizational structure and communications, marketing and use of volunteers.

APPENDIX B

Strategic Planning at the Chicago Transit Authority

The Chicago Transit Authority (CTA) is the second largest transit system in the U.S. and by most measures it has the second largest rail system and the third largest bus system. It operates 2275 buses and 4200 rail cars. CTA employs approximately 2275 people.

The CTA completed the environmental scan phase of a multi-phase strategic planning process in August 1986. The environmental scan phase identified the most important strategic issues that will be confronting the CTA over the next five years. This phase involved scanning a broad range of potential issues, including ridership patterns and influences, marketing, cost and productivity, funding, and organizational concerns. The project produced a list of key issues that would provide a focus for subsequent strategic planning phases.

The environmental scan was performed jointly by CTA's strategic planning staff and Arthur Andersen and Company. The environmental scan was intended to identify the most important strategic issues through the following tasks:

1. conduct a CTA management seminar and issues survey;
2. analyze market, funding, and productivity data;
3. conduct interviews with the CTA Board, CTA Deputy Executive Directors and managers and other officials of transit related agencies in Northeastern Illinois.

As a result of these tasks the key strategic issues (internal and

external factors) can be summarized as follows:

Internal Issues

1. While capacity is provided efficiently, utilization of bus service capacity is low.
2. Rail trips tend to be long.
3. Average bus speed is low.
4. Productivity is excellent in relation to peer properties.
5. A larger share of operating costs is recovered from riders than any other major transit property.
6. A large portion of Chicago households depends on public transportation.
7. Increases in labor costs have begun to decline.
8. Privatization (contracts with private sector service providers) is another possible avenue for improving unit costs.

External Trends

1. Threat of loss of federal financial support to the region.
2. Extreme dependence on discretionary public financial support.
3. Ridership is sensitive to economic cycles.

One of the major issues addressed during the environmental scan phase was organizational effectiveness. Some managers perceived too much focus on short-term or parochial interests. Management thought that a strategic plan along with appropriate information and motivation can contribute importantly to broadening the focus. Other specific issues, dealing with personnel development, interdepartmental communication, and organizational structure, were also identified. There have been

no organizational changes as a result of the first phase of the planning process. The scan document concluded that an effective organization is absolutely essential to implementing strategies and, in many respects, the structure of the organization will be dependent on the strategies themselves.

During the scan phase, CTA was compared with seven peer systems. The comparison identified CTA's strengths, which will be examined further in order to maintain and expand them, and identified apparent weaknesses, which will also be examined so that strategies can be developed to reduce them. The environmental scan has confirmed the findings of a market research study conducted in 1985.

The key strategic issues, identified during the environmental scan phase, are central to the next phase of the planning process. This phase, to be completed during August 1988, includes the development of CTA objectives and goals in support of its mission and the development of the strategies themselves.

Throughout the rest of this strategic planning effort the consultant, Booz, Allen, and Hamilton will work closely with CTA management and with the Board to further the participatory nature of the various tasks. The team proposes to conduct management workshops as a forum for presenting, discussing, and reviewing findings.

Strategic Planning Initiative for the New York MTA

The Metropolitan Transportation Authority (MTA), the nation's largest transportation agency, is responsible for most of the public transit in New York City and the suburbs to the east and north. Its network serves 12 New York State counties and extends into Connecticut, a 4,000-square-mile area with 13.3 million people. The MTA operates its services through these agencies and subsidiaries: New York City Transit Authority (TA); State Island Rapid Transit Authority (SIRTA); the Long Island Rail Road Company (LIRR); Metro North Commuter Rail Road Company; Metropolitan Suburban Bus Authority (MSBA); Triborough Bridge and Tunnel Authority (TBTA).

The MTA is a public corporation chartered by the New York State Legislature in 1965. Its policies are set by a 17-member Board, who are appointed by the Governor of New York State with advice and consent of the New York State Senate. The Governor nominates and appoints the Chairman who is also the chief executive officer of each operating agency. MTA headquarters oversees, coordinates, and secures financing for the operating agencies; it handles policy questions, budget matters, and overall goals but is not involved in day-to-day transit operations. MTA employs 67,252 people and operates a transit system of 4103 buses, 8126 rail cars, 7 bridges and 2 tunnels.

The MTA began its three year Strategic Planning Initiative (SPI) in April 1985. The SPI is divided into three phases, the first of which ended in January 1986. The SPI was developed by

MTA management and its operating agencies with the participation of the Urban Research Center of New York University, the Regional Planning Association, and Parsons Brinkerhoff Quade and Douglas, Inc. MTA decided to conduct the SPI to round out its program of capital and managerial improvements by identifying and analyzing long term strategic issues that its system would face in the next 20 years.

The Board of Directors of the MTA set policy to improve transit service in various transportation corridors throughout the metropolitan area. A new planning committee of the MTA Board was created to oversee this effort and the overall coordination of the SPI was assigned to the MTA's Planning Director.

The SPI has twin goals for the transit services of New York. The goals are to improve passenger attractiveness and reduce operating costs. The mission of the organization is directed toward improving the service levels to attract new riders to the system with the basic mission of providing the New York Region the transit it needs, wants and deserves.

When MTA began its SPI process, little data existed on ridership by type of service line or operating costs by line. This phase of the SPI dealt with developing that and other key data required to make basic adjustments in service to meet ridership needs.

During the first phase of SPI, MTA asked each of its agencies to address specific issues in order to develop a plan to meet the region's public transportation requirements for the next

10 to 20 years. The job has been to identify and determine current and future ridership demand and ridership patterns; develop service guidelines; and configure alternative transit networks to meet passenger demand under various financial constraints. The transit agency has developed data bases, developed service guidelines, identified the impact of subsidy reduction on capital investment in the subway system, and estimated the potential impact of rapid transit service adjustments.

In order to accomplish these tasks, MTA established a new operations planning department. The department worked on developing a database for strategic decisions and developing service guidelines in order to improve the planning and scheduling of services. The department also has worked out the major topics to be addressed in the year two work plan.

In the second phase of the SPI MTA will use the data it has acquired to assess and respond to service demands. It will focus on transportation corridors that present the most opportunities for low cost service improvements, service guidelines will be developed to make ongoing changes to transit schedules and routes. In its corridor studies MTA will examine such issues as improving feeder bus service to key rail stations, reverse commuting, and increasing the use of the commuter rail system in New York City.

Strategic Plan of the Washington Metropolitan Area Transit

Authority

The Washington Metropolitan Area Transit Authority (WMATA) is a public transit agency established under the interstate compact among the District of Columbia, the State of Maryland, and the Commonwealth of Virginia. WMATA operates metrorail and metrobus transit systems in the cross-jurisdictional Washington area. It employs 7844 persons and operates 1577 buses and 617 rail cars. The planning, development and operation of WMATA's facilities and services are financed through a combination of funding provided by the Federal government, the District of Columbia, the States of Virginia and Maryland, the local participating jurisdictions, and WMATA's operating revenue.

An assessment of the environments within which WMATA functions indicates that the organization is faced with challenging situations. On the one hand there is a greater need for transit service in the region because of the growth of dispersed suburban activity centers and the increase in traffic congestion while highway capacity remains relatively stable. Transit costs have continued to rise while funding is jeopardized by both federal and local budget limitations. In response to these new and challenging conditions WMATA desired new ways to expand services in the region and do so in a cost-effective manner. Hence WMATA felt the need for conducting strategic planning.

To carry out the process of strategic planning WMATA

established the Office of Policy and Long-Range Planning in December 1984. This office is a four-person unit under the direction of the former Special Assistant to the General Manager, reporting directly to the General Manager, and functioning in active consultation with senior management staffs. Besides the establishment of the Office of Policy and Long-Range Planning, a contract modification was provided to a private consulting firm, Barton-Aschman, to make an internal assessment of the organization.

The mission statement of the Washington Metropolitan Area Transit Authority is to provide the region safe, reliable and attractive public transportation service, within available resources, including operation of the bus and rail systems. The assessment of the external environment of WMATA has basically focused on five major issues. These are the economic environment, the competitive environment, the customer environment, the physical environment, and the funding environment. The assessment of the internal environment of WMATA consists of the evaluation of human resources, performance measurement, and decision making process.

The draft strategic planning document categorizes two major issues: policy issues and administrative/management issues. According to the draft strategic plan, the policy issues are the true strategic issues and have both internal and external dimensions. Two policy issues are the future scope of WMATA and the future funding of WMATA. The administrative/management

issues are considered to have an internal dimension and are said to be addressed when the policy issues are addressed. Five such issues are the five year service plan and long-range capital and operating programs; market research and marketing activity; information system; strategic labor planning, staff training and development; and strategic planning organization.

Different staff members participated in the development of the mission statement, goals, and objectives of the organization. The mission statement was developed by the board of the authority; goals were established by top management; and objectives were designed by the management technical staffs.

With the assessment of the environments and establishment of missions, goals, and objectives complete the next step will be the development of strategies.

APPENDIX C

Strategic Planning Process Evaluation Form

1. Describe the organization of the transit agency in general and the organization of the strategic planning process in particular.
2. Who are the responsible officials in the strategic planning process? Describe their responsibilities.
3. Describe how the private sector is involved in the strategic planning process.
4. Describe how the public, organizations and individuals, are involved in the process.
- 5.a) Describe the information sources, analysis techniques and personnel involved in the environmental analyses.
Scan:

External:

Internal:
- b) Describe any forecasting techniques that were used.
- c. What are the major internal and external trends?
- 6.a) Describe how mission statement, goals, and objectives are developed.
- b) What are the mission, goals, and objectives (briefly)?
- 7.a) Describe how the strategies are developed.
- b) What are the strategies?
8. Describe the implementation process, including resulting organization change, if any.
9. What action plans result from implementation of the strategic plan?
- 10.a) How are the implemented strategies monitored?
- b) How is performance of strategies measured?
11. What are the strengths and weaknesses or benefits and costs of the strategic planning process, as perceived by members of the transit agency?

Bibliography for Case Studies

Bishop-Edkins, Christine and Nethercut, Cynthia. "Initiating the Strategic Planning Process at NJ Transit." Newark, August 1986. (Typewritten)

Brogan, Rita. "The Public Transportation Agency of the Future: Seattle-A Case Study." Seattle, December 1986. (Typewritten)

Cambridge Systematics, Inc. 2000 Transit Plan Corridor Assessment Project Final Report. Oakland: Alameda-Contra Costa Transit District, June 1986.

Deloitte, Haskins & Sells, Inc. Alternative Future Scenarios and Potential Strategies. Salt Lake City: Utah Transit Authority, January 1984.

FY 1988 Business Plan. Pittsburgh: Port Authority of Allegheny County, August 1987.

NJ Transit Department of Planning. "Strategic Planning and Resource Assessment Final Report." Newark, June 1987. (Typewritten)

"New Jersey Transit Bus Operations Business Plan." Newark, 1986. (Typewritten)

"New Jersey Transit Rail Operations Business Plan." Newark, 1986. (Typewritten)

1987-1991 Strategic Plan. Pittsburgh: Port Authority of Allegheny County, June 19, 1987.

Research and Market Strategy Division. 1987 Market Strategy Report. Seattle: Transit Department Municipality of Metropolitan Seattle, February 1987.

Research and Market Strategy Division. 1987 Market Strategy Evaluation Plan. Seattle: Transit Department Municipality of Metropolitan Seattle, March 1987.

Research and Market Strategy Division. 1988 Market Strategy Report. Seattle: Transit Department Municipality of Metropolitan Seattle, December 1987.

Research & Planning Department. 5 Year Plan: FY 1988-1992. Oakland: Alameda-Contra Costa Transit District, September 1987.

Strategic Business Plan 1986 to 1990: Initial Period Program Descriptions. Pittsburgh: Port Authority of Allegheny County, October 1986.

Strategic Business Plan 1986 to 1990. Pittsburgh: Port Authority of Allegheny County, March 27, 1986.

Strategic Development Summary Report(Draft):2000 Transit Plan. Oakland: Alameda-Contra Costa Transit District, 1986.

Utah Transit Strategic Plan. Salt Lake City: Utah Transit Authority, December 1984.

APPENDIX D

Interview Questionnaire

1. Why did your organization decide to plan strategically?
2. How did you learn about strategic planning? How was your process selected?
3. How was your process organized (separate staff unit, existing unit, management team)? How long did it take? Were there problems?
4. Describe the level of management involvement. Was it appropriate?
5. Are management objectives and compensation tied to strategic planning tasks?
6. How was the need for strategic planning communicated throughout organization? Was level of communication appropriate?
7. Were task forces used? Who comprised them?
8. Were the budget, personnel, and time frame sufficient for the planning process?
9. Describe how items in internal and external analyses were selected. Who conducted analyses? What were sources of information?
10. How were strengths, weaknesses, opportunities, and threats determined or measured?
11. To what extent do mission, goals, and objectives reflect needs of market (riders) or of political and legal mandates of organization?
12. Describe strategy development process-organization and techniques?
13. How were strategies evaluated for appropriateness?
14. Is there an implementation plan related to budget cycle and to merit appraisal and compensation?
15. How were strategy implementors selected?
16. What organization changes have resulted from implementation? Describe the impact.

17. For the personnel not directly involved in the process what in general do you think were their perceptions of the process and its impacts?

18. Describe the monitoring tasks. Who is responsible?

19. If monitoring of implementation shows that strategic objectives are not being met, how does management respond?

20. What are your overall perceptions of the costs and benefits or strengths and weaknesses of your process? Were they expected or not? What were major obstacles during planning and implementation?

21. How would you do things differently?

Case Study Interviewees

AC Transit

Darcy Coles, Strategic Planning and Analysis Consultant

New Jersey Transit

James Redeker, Manager, Office of Strategic Planning

Christine Bishop-Edkins, Marketing Coordinator

Port Authority of Allegheny County Transit

Allen D. Biehler, Director of Planning and Business Development

Michael Sturdivant, Manager of Planning

Sharon Jo Welter, Transit Planner

Seattle METRO

Rita Brogan, Superintendent, Public Transportation Development

Carin Weiss, Manager, Research and Market Strategy

staff members of Sales and Customer Service and of Long Range Planning

Utah Transit

John C. Pingree, General Manager

John English, Director of Operations

Gayland Moffat, Director of Human Resources

REFERENCES

Chapter 1

1. Fred R. David, Fundamentals of Strategic Management, Columbus, OH: Merrill Publishing Company, 1986.
2. George A. Steiner, Strategic Planning: What Every Manager Must Know, New York: The Free Press, 1979.
3. Stephanie K. Marrus, Building the Strategic Plan, New York: John Wiley & Sons, 1984.
4. Dale D. McConkey, "Strategic Planning in Nonprofit Organizations," Business Quarterly (Canada), Vol 46, No. 2, Summer 1981, pp.24-33.
5. Craig Bloom, "Strategic Planning in the Public Sector," Journal of Planning Literature, Vol. 1, No. 2, Spring 1986, pp. 253-259.
6. Paul C. Nutt and Robert W. Backoff, "A Strategic Management Process for Public and Third-Sector Organizations," Journal of the American Planning Association, Winter 1987, pp. 44-57.
7. Michael D. Meyer, "Strategic Planning in Response to Environmental Change," Transportation Quarterly, Vol. 37, No. 1, April 1983, pp. 297-320.
8. Institute for Urban Transportation, Indiana University. Strategic Planning in Small and Medium-Size Transit Agencies: A Discussion of Practice and Issues. Washington, DC: Urban Mass Transportation Administration, August 1986.
9. Gordon J. Fielding, Managing Public Transit Strategically, San Francisco: Jossey-Bass Publishers, 1987.
10. Christopher H. Lovelock, et al., Marketing Public Transit: A Strategic Approach, Westport, CT: Greenwood Press/Praeger, 1987.

Chapter 3

1. James W. Hughes and George Sternlieb, "The Suburban Growth Corridor," Urban Land, September 1986, pp. 32-33.
2. Charles A. Lave, "The Private Challenge to Public Transportation: An Overview," Urban Transit, ed. by Charles Lave, San Francisco: Pacific Institute for Public Policy Research, 1985.
3. The Urban Institute, The Nation's Public Works: Report on Mass

Transit, Washington, DC: National Council on Public Works Improvement, May 1987.

4. The Status of the Nation's Local Mass Transportation: Performance and Conditions, Washington, DC: U.S. Department of Transportation Urban Mass Transportation Administration, June 1987, p.3.

5. William A. Gellert, Carol T. Everett, and Ronald F. Kirby, Strategic Management for Transit Agencies in a More Competitive Environment, Washington, D.C.: The Urban Institute, June 1987.

6. J. Scott Hollingsworth, "Marketing in Design," Mass Transit, Vol. 13, No. 12, December 1986, pp. 12-13.

7. Cliff Henke, "North American Marketing," Mass Transit, Vol. 13, No. 12, December 1986, pp. 13-14.

8. Michael D. Meyer and P. Brendon Hemily, Public Transportation in the 1980s: Responding to Pressures of Fiscal Austerity, Washington, DC: Urban Mass Transportation Administration, February 1982.

9. Institute for Urban Transportation, Indiana University. Strategic Planning in Small and Medium-Size Transit Agencies: A Discussion of Practice and Issues. Washington, DC: Urban Mass Transportation Administration, August 1986.

10. Donna L. Sorkin, Nancy B. Ferris, and James Hudak, Strategies for Cities and Counties: A Strategic Planning Guide, Washington, DC: Public Technology, Inc., 1984.

11. William E. Rothschild, Putting it All Together: A Guide to Strategic Thinking, New York: AMACOM, 1976.

12. George A. Steiner, Strategic Planning: What Every Manager Must Know, New York: The Free Press, 1979.

13. Nancy B. Ferris, "Developing a Strategic Advantage for Your Community," Public Management, July 1983, pp.16-18.

14. Frank S. So, "Strategic Planning: Reinventing the Wheel?" Planning, Vol. 50, No. 2, February 1984, pp. 16-21.

15. Michael D. Meyer, "Strategic Planning in Response to Environmental Change," Transportation Quarterly, Vol. 37, No. 1, April 1983, pp. 297-320.

16. John B. Olsen and Douglas C. Eadie, The Game Plan: Governance with Foresight, Washington, DC: Council of State Planning Agencies, 1982.

17. H. Igor Ansoff, "The State of Practice in Planning Systems," Sloan Management Review, Vol. 18, Winter 1977, p.22.
18. Harold W. Fox, "The Frontiers of Strategic Planning: Intuition or Formal Models," Management Review, Vol. 70, April 1981, pp.8-9.
19. Peter Lorange, Implementation of Strategic Planning, Englewood Cliffs, NJ: Prentice-Hall, Inc., 1982.
20. Siri N. Espy, Handbook of Strategic Planning for Nonprofit Organizations, New York: Praeger Publishers, 1986.
21. D. L. Bates and David L. Eldredge, Strategy and Policy: Analysis, Formulation, and Implementation, Dubuque, IA: William C. Brown Publishers, 1984.
22. Dale D. McConkey, "Strategic Planning in Nonprofit Organizations," Business Quarterly (Canada), Vol 46, No. 2, Summer 1981, pp.24-33.
23. Hugo E. R. Uyterhoeven, Robert W. Ackerman, and John W. Rosenblum, Strategy and Organization: Text and Cases in General Management, Homewood, IL: Richard D. Irwin, Inc. 1973.
24. Fred R. David, Fundamentals of Strategic Management, Columbus, OH: Merrill Publishing Company, 1986.
25. Stephen C. Wheelwright, "Strategy, Management, and Strategic Planning Approaches," Interfaces, Vol 14, No. 1, January-February 1984, pp. 19-33.
26. Subhash C. Jain, "The Evolution of Strategic Marketing," Journal of Business Research, December 1983, pp. 409-424.
27. Paul C. Nutt and Robert W. Backoff, "A Strategic Management Process for Public and Third-Sector Organizations," Journal of the American Planning Association, Winter 1987, pp. 44-57.
28. George A. Steiner and John B. Miner, Management Policy and Strategy: Text, Readings, and Cases, New York: Macmillan Publishing Company, 1977.
29. Jay R. Galbraith and Daniel A. Nathanson, Strategy Implementation: The Role of Structure and Process, St. Paul, MN: West Publishing Company, 1979.
30. Robert Boyden Lamb, (ed.) Competitive Strategic Management, Englewood Cliffs, NJ: Prentice-Hall, Inc., 1984.

31. Larry D. Alexander, "Successfully Implementing Strategic Decisions," Long Range Planning, June 1985, pp. 96-97.
32. "Strategic Planning for State and Local Transportation Agencies: Outline of Videotape Presentation," Washington, DC: Transportation Research Board, 1986.
33. Raymond T. Olsen and Diana H. Day, "Strategic Thinking for State and Local Governments," Management Focus, May-June 1982, pp. 6-10.
34. Gordon J. Fielding, Managing Public Transit Strategically, San Francisco: Jossey-Bass Publishers, 1987.

Chapter 4

1. Ian C. Macmillan, "Competitive Strategies for Not-for-Profit Agencies," Advances in Strategic Management, edited by Robert Lamb, Greenwich, CT: JAI Press, Vol. 1, 1983, pp. 61-82.

BIBLIOGRAPHY

Alexander, Larry D. "Successfully Implementing Strategic Decisions." Long Range Planning, Vol. 18, No. 3, June 1985, pp. 91-97.

Ansoff, H. Igor. "The State of Practice in Planning Systems." Sloan Management Review, Vol. 18, Winter 1977, p.22.

Arther Andersen & Co. and Mitchell Watkins and Associates, Inc. Chicago Transit Authority Strategic Plan: Phase 1-Environmental Scan. Chicago: Chicago Transit Authority, August 1986.

Bates, D. L. and Eldredge, David L. Strategy and Policy: Analysis, Formulation, and Implementation. Dubuque, IA: William C. Brown Publishers, 1984.

Bloom, Craig. "Strategic Planning in the Public Sector." Journal of Planning Literature, Vol. 1, No. 1, Spring 1986, pp. 253-259.

David, Fred R. Fundamentals of Strategic Management. Columbus, OH: Merrill Publishing Company, 1986.

Eadie, Douglas C. "Putting a Powerful Tool to Practical Use: The Application of Strategic Planning in the Public Sector." Public Administration Review, September/October 1983, pp. 447-452.

Espy, Siri N. Handbook of Strategic Planning for Nonprofit Organizations. New York: Praeger Publishers, 1986.

Ferris, Nancy. "Developing a Strategic Advantage for Your Community." Public Management, July 1983, pp.16-18.

Fielding, Gordon J. Managing Public Transit Strategically. San Francisco: Jossey-Bass Publishers, 1987.

FY 1988 Business Plan. Pittsburgh: Port Authority of Allegheny County, August 1987.

Fox, Harold W. "The Frontiers of Strategic Planning: Intuition or Formal Models." Management Review, Vol. 70, April 1981, pp.8-9.

Galbraith, Jay R. and Nathanson, Daniel A. Strategy Implementation: The Role of Structure and Process. St. Paul, MN: West Publishing Company, 1979.

Gellert, William A., Everett, Carol T., and Kirby, Ronald F. Strategic Management for Transit Agencies in a More Competitive Environment. Washington, D.C.: The Urban Institute, June 1987.

Henke, Cliff. "North American Marketing." Mass Transit, Vol. 13, No. 12, December 1986, pp. 13-14.

Hollingsworth, J. Scott. "Marketing in Design." Mass Transit, Vol. 13, No. 12, December 1986, pp. 12-13.

Hughes, James W. and Sternlieb, George. "The Suburban Growth Corridor." Urban Land, September 1986, pp. 32-33.

Institute for Urban Transportation. Strategic Planning in Small and Medium-Size Transit Agencies: A Discussion of Practice and Issues. Washington, DC: Urban Mass Transportation Administration, August 1986.

Jain, Subhash C. "The Evolution of Strategic Marketing." Journal of Business Research, December 1983, pp. 409-424.

King, William R. and Cleland, David I., editors. Strategic Planning and Management Handbook. New York: Van Nostrand Reinhold Company, 1987.

Klein, William F. "Strategic Planning At Work." Metro, September-October 1985, pp. 52-60.

Lamb, Robert Boyden. (ed.) Competitive Strategic Management. Englewood Cliffs, NJ: Prentice-Hall, Inc., 1984.

Lave, Charles A. "The Private Challenge to Public Transportation: An Overview." Urban Transit, ed. by Charles Lave, San Francisco: Pacific Institute for Public Policy Research, 1985, p. 1.

Long-Range Strategies for Public Transportation in New York: Baseline Projections of Transit Use, Costs, and Funding. New York: New York University Urban Research Center, April 1986.

Lorange, Peter. Implementation of Strategic Planning. Englewood Cliffs, NJ: Prentice-Hall, Inc., 1982.

Lovelock, Christopher H.; Lewin, Gordon; Day, George S.; and Bateson, John E. G. Marketing Public Transit: A Strategic Approach. Westport, CT: Greenwood Press/Praeger, 1987.

Macmillan, Ian C. "Competitive Strategies for Not-for-Profit Agencies." Advances in Strategic Management. Edited by Robert Lamb. Greenwich, CT: JAI Press, Inc., Vol. 1, 1983.

Marrus, Stephanie K. Building the Strategic Plan. New York: John Wiley & Sons, 1984.

McConkey, Dale D. "Strategic Planning in Nonprofit Organizations." Business Quarterly (Canada), Vol 46, No. 2, Summer 1981, pp.24-33.

Meyer, Michael D. "Strategic Management in a State Transportation Agency." Paper presented at ASCE Specialty Conference on Managing Urban Transportation As a Business, June 1987.

Meyer, Michael D. "Strategic Planning in Response to Environmental Change." Transportation Quarterly, Vol. 37, No. 1, April 1983, pp. 297-320.

Meyer, Michael D. and Hemily, P. Brendon. Public Transportation in the 1980s: Responding to Pressures of Fiscal Austerity. Washington, DC: Urban Mass Transportation Administration, February 1982.

MTA Planning Department. Strategic Planning Initiative Year One. New York: Metropolitan Transportation Authority, October 1986.

MTA Planning Department. Strategic Planning Initiative Year Two. New York: Metropolitan Transportation Authority, October 1987.

1987-1991 Strategic Plan. Pittsburgh: Port Authority of Allegheny County, June 19, 1987.

Nutt, Paul C. "A Strategic Planning Network for Nonprofit Organizations." Strategic Management Journal, Vol. 5, 1984, pp. 57-75.

Nutt, Paul C. and Backoff, Robert W. "A Strategic Management Process for Public and Third-Sector Organizations." Journal of the American Planning Association, Winter 1987, pp. 44-57.

Olsen, John B. and Eadie, Douglas C. The Game Plan: Governance with Foresight. Washington, DC: Council of State Planning Agencies, 1982.

Olsen, Raymond T. and Day, Diana H. "Strategic Thinking for State and Local Governments." Management Focus, May-June 1982, pp.6-10.

Research and Market Strategy Division. 1987 Market Strategy Report. Seattle: Transit Department- Municipality of Metropolitan Seattle, February 1987.

Research and Market Strategy Division. 1987 Market Strategy Evaluation Plan. Seattle: Transit Department- Municipality of Metropolitan Seattle, March 1987.

Research and Market Strategy Division. 1988 Market Strategy Report. Seattle: Transit Department-Municipality of Metropolitan Seattle, December 1987.

Rothschild, William E. Putting it All Together: A Guide to Strategic Thinking. New York: AMACOM, 1976.

So, Frank S. "Strategic Planning: Reinventing the Wheel?" Planning, Vol. 50, No. 2, February 1984, pp. 16-21.

Sorkin, Donna L., Ferris, Nancy B., and Hudak, James. Strategies for Cities and Counties: A Strategic Planning Guide. Washington, DC: Public Technology, Inc., 1984.

The Status of the Nation's Local Mass Transportation: Performance and Conditions. Washington, DC: U.S. Department of Transportation Urban Mass Transportation Administration, June 1987.

Steiner, George A. Strategic Planning: What Every Manager Must Know. New York: The Free Press, 1979.

Steiner, George A. and Miner, John B. Management Policy and Strategy: Text, Readings, and Cases. New York: Macmillan Publishing Company, 1977.

"Strategic Planning for State and Local Transportation Agencies: Outline of Videotape Presentation." Washington, DC: Transportation Research Board, 1986.

Strategic Plan (Draft). Washington, DC: Washington Metropolitan Area Transit Authority, 1986.

Strategic Planning at NJ Transit: Interim Report. Newark: New Jersey Transit, April 1986.

Strategic Business Plan 1986 to 1990: Initial Period Program Descriptions. Pittsburgh: Port Authority of Allegheny County, October 1986.

Strategic Business Plan 1986 to 1990. Pittsburgh: Port Authority of Allegheny County, March 27, 1986.

Strategic Development Summary Report (Draft): 2000 Transit Plan. Oakland: Alameda-Contra Costa County Transit District, 1986.

"Transportation System Planning." Transportation Research Circular, No. 268, January 1984, p. 5.

Unterman, Israel and Davis, Richard H. Strategic Management of Not-for-profit Organizations. New York: Praeger Publishers, 1984

The Urban Institute. The Nation's Public Works: Report on Mass Transit. Washington, DC: National Council on Public Works Improvement, May 1987.

Utah Transit Strategic Plan. Salt Lake City: Utah Transit Authority, December 1984.

Uyterhoeven, Hugo E. R.; Ackerman, Robert W.; and Rosenblum, John W. Strategy and Organization: Text and Cases in General Management. Homewood, IL: Richard D. Irwin, Inc., 1973.

Wheelwright, Stephen C. "Strategy, Management, and Strategic Planning Approaches." Interfaces, Vol 14, No. 1, January-February 1984, pp. 19-33.

NOTICE

This document is disseminated under the sponsorship of the U.S. Department of Transportation in the interest of information exchange. The United States Government assumes no liability for its contents or use thereof.

The United States Government does not endorse manufacturers or products. Trade names appear in the document only because they are essential to the content of the report.

This report is being distributed through the U.S. Department of Transportation's Technology Sharing Program.

DOT-T-90-07

DOT LIBRARY



00399693

-07

TECHNOLOGY SHARING

A Program of the U.S. Department of Transportation